UTL 501.03-05 501.32-01



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

TAX EXEMPT AND GOVERNMENT ENTITIES DIVISION

	Date:	
•		Person to Contact:
		Badge Number:
FINI		Contact Telephone Number:
EIN:		Contact Address:
CERTIFIED MAIL		•
,		Last Day to Petition Tax Court:

Dear

This is a final revocation letter regarding your exempt status under section 501(c) (3) of the Internal Revenue Code. The revocation of your exempt status was made for the following reason(s):

fails to meet the requirement for exemption under I.R.C. Section 501(c)(3). Section 1.501(c)(3)-1(c)(2) of the regulations state that an organization is not operated exclusively for one or more purposes, if its net earnings inure in whole or in part to the benefit of private shareholder or individual.

It has been determined that was not operated exclusively for charitable purposes. Examination findings have determined that has been involved in repeated excess benefit transactions, which resulted in private benefit and inurement to your former President and Executive Director, is family members and to your current President and Auctioneer Both individuals were in a position to exercise substantial influence over the affairs of

Based upon the above, we are revoking your organization's exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code, effective

Contributions to your organization are no longer deductible under Code section 170 after:

ou are required to file income tax returns on Form 1120 for all years beginning on and after

. Processing of income tax returns and assessments of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

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 the United States Tax Court at the following address:

Since your exempt status has been revoked, you are required to file Form 1120, U.S. Corporation Income Tax Return, for all years beginning after income tax returns for subsequent years are to be filed with the appropriate Service Center identified in the instructions for those returns.

You also have the right to contact the Office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access you tax information and can help you get answers. You can call 1-877-777-4778, and ask for the Taxpayer Advocate assistance or you can contact the Advocate from the site where this issue was determined by writing to:

Taxpayer Advocate assistance cannot be used as substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able

to reverse legal or technically correct tax determination, nor extend the time fixed by law that you have to file a petition in 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.

We will notify the appropriate State Officials of this action, as required by Code section 6104(c).

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

Sincerely,

R.C. Johnson,

Director, EO Examinations

Enclosures:

Publication 892

CC:



DEPARTMENT OF THE TREASURY Internal Revenue Service



Taxpayer Identification Number:

Form: 990

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers: Telephone: Fax:

Certified Mail - Return Receipt Requested

Dear Sir or Madam:

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the internal Revenue Code (Code) is necessary.

If you accept our findings, take no further action. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, The Examination Process, and Publication 892, Exempt Organizations Appeal Procedures for Unagreed Issues, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

Letter 3818 (04-2002) Catalog Number 34809F

200511016

If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter. We will also notify the appropriate state officials of the revocation in accordance with section 6104(c) of the Code.

You 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:

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.

[] A

R. C. Joinson

Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination

Form 886-A		EXPLANAT	ION OF ITEMS		Schedule or Exhibit No. 1
Name of Ta	Xpayer	200			Years Ended
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() Whether p	syments to		in excess of the fair	market value c	onstitute a private benefit
1, 1 m					
) a. Whether	the value of the auto	furnished by	was a p	rivate benefit a	nd instrement to
				ar Salara	
b. Whether murene	r the value of autos fi at to	urnished to !	and	W83 1	private benefit and
c. Whether	r the value of the auto	fumished to	Way a private	benefit to har.	
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i) Whether th	se value of the auto fi	imushed to	was a private	benefit to him.	
i) Whether	a payment of \$	to or	constitute a private bon	and inuren	ent to
benefit and	's payment of \$. Linurement to	to	Investors		constitutes a private
7) Whether inurcationt		for property used by		onsti.	butes a private benefit and
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pinr Nubmet m	ny part of the \$	salary paid to	COL	admes a busan	e benefit and increment to
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Whether private ber	payment of S active and increment to	(back pay from	and severance pay) to		in constitutes a
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(0) Whother	s payment of \$	to	3 constitutes a pr	nvato denerit to	nin.
1) Whother private ber	's payment to nefit to him.	Insurance Co	mpany for	medica	l insurance constitutes a
(2) Whether o	ertain transactions be	tween and	comment President	and Auctionem	were a private benefit and
inurement		SH CELL CALL	· ouran a respective	and Transforted	ar herrane occuent and
(3) Whether	s ruling recognizing	ig it se exempt under	section 501(c)(3) be revok	ed as of the dat	ts of Incorporation,
	• , •				

Form 886-A	E	EPLANATION O	FITEMS		No.	t
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Name of Taxpay	er			,	Years Ended	_
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<u>STATEMENT O</u>	F FACTS:					
to (herein	after referred to as)	is a LEX exempt entity	that is exempt under In	ternal Re	vezue Code section	
501(c)(3). It receive	d exempt status from the	Internal Revenue Si	arvice on .		who was	a
used car salesman, fo	ounded this organization		, owned dividuals to donate their		a used car lot on	
	used two car lots, one or	<u>.</u>			•••	٠
The lot on	was used to sell its of bear assumed its ending and instant and instant on the second selection on the second selection on the second selection on the second selection of the	ionated vehicles to the	n boos out bas siduq se	sed Value	los are por on tota lor. A	n O
		70 0				
a original Board	of Directors consisted o	£:	Trustee (father-in-law	6); and .	
		less are remally mount	ers. The only non-famil			
Agent secured	a copy of .'r	esignation, which sta	ted that the thirteen chec	ks he rev	iewed were enough to c	
	 status, Even after he der or individual as this 		hat no part o		's revenues may iour outined with the private	
benefit and incremen						
A		And the same area annual		Tr	3.4 4 4.3	
	months before the agent "completely and comme		nation, I the old Board of Direct		ished his position as	
The examination fine					took charitable deductio	
	market value of the dono		then Exe; so, even though some of		rector only cited to done	173
and were sold for act	UNION COURTS ANTINOT INC. INC.	THATTE OF FEMALES IN ACT.				
offer Merc sent the sen		43			her work mor more on mil	

it stated

returns, with the

for start up costs. Neither (\ nor admitted that there is no written loan

stated there were four or five Board of

's office. Directors also discussed things over the phone. According to

3 Articles of Incorporation dated

was an officer and director of (and in a position to exercise substantial influence over the affairs of the

But according to the new officers of , they do not have copies of the

salary to

i, they knot minutes and he left them with

spreament for this loan of \$

minutes for

acception of the 5

Directors' meetings. They met in person in

In

organization at any time during the five-year period ending on the date of the transaction listed below, but not before

's then Executive Director claimed that he loaned . . \$

) provided the agent with a copy of this loan agreement.

The organization did not indicate transactions with any officers or trustees on their

rom.

Form 886-A	E	XPLANATION	OF ITEMS		Schedule o	r Exhibit
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o part of the net earning	us of the corporati	on shall inure to th	as benefit of or	bo distributable :	o its members to	Istoma
icers, or other private p	persons, except the	t the corporation t	hall be authorize	ed and empowere	ed to pay reasonab	le .
mpensation for service	a rendered and to n	nake payments an	d distributions in	furtherance of t	he purposes set for	th in this
ticle."						
o following is a list of	transactions betwe	en and its the	President & Ex	ecutive Director		and his
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Based on their loan p loan. The fair marks	syback schedule.	i Listan in P		icles and paymer		ay out this
overpaid by \ by \$		meres in 3	I DES ENCARES EDAT	the alleged loan	10.	ALTZ.
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. The new trustees, do					more, because it is	
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	oss than	3da a			iow trustoes used to	
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usea		rged \$35 for a toy		wes, compared		
charged for the same			58 .			
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) ,	no longer	operated his Town	ng Service,	7.		
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	There was no acco				per month to	.la ==== == ==
reported on either a F	form W-2 or 1099	as a fringe benefit	L	an actor take place-	THE OLDER ACUIT	MR WING ILOU
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(daughter n	of				991 Toyota Camr	y DX.(
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spent money to fix th		stated that there v			ven verbally or in	writing.
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spent money to fix the officer manager of who did not he attend any meetings and Board included.	mow if s nor did she see any his	or Board of minutes indicative wife, and his father	ig any board dire ar-in-law. As far	ective or approva		chicles. Th
spent money to fix the officer manager of size did not he attend any meetings a	mow if s nor did she see any his	or Board of minutes indicative wife, and his father	ig any board dire	ective or approva	l for use of these v	chicles. Ti
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spent money to fix the officer manager of siso did not he attend any meetings and money maccountable benefit.	onow if a nor did she see any his its, given by drove a 1982 Me arsonal use of this bank account ar	or Board of minutes indication wife, and his father to his recodes Benz that vehicle was not a	ig any board direction law. As far a family was donated to operted on either	There was no a Form W-2 or	l for use of these v flicers know these o accountability fo	were simpler the use of the Use o

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WILL OI LEXANS	ver			Yeara	Ended
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One of these n	avments was a check	k written for Cash for	. The new truste	es believe that	had lend is
, whi			onal use with these funds.		140 1400 1
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	executed two;cl		bank account and issued t		
	. 11	These checks total		idenced by a written	
	olly-owned by		Plan Company and was use their cars (their inventory).		Used Car
Degraciante in	men me or creard	so mar may can buy	men care (than meaning).		
Examination f	indings disclosed the	nt paid!	ts in and	\$ in for	rent on the
property on	-	Bu	it the rental agreement, for	the 5 year period beg	
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	ions ont of this same	e location prior to Jul	ly when came int	o excistenco. Also	
Towing () during			located at the same propert or use of its property.		there was no
	anii dhe ewtod idemostys ezi		or me or us broberty.	Blateo	LIGHTE WAS IND
without pep-ion	an afficerities pores	· ·	, .		
Examination o	f \ for the year en	ded on December 31	, disclosed the follow	ing:	
	minutes kept by		r former President & Execu	tive Director for	₩h
the new Board	of Directors took or	ver in February of	they had monthly meet	ings and minutes we	ro kept.
	1 of Diseason wares				
The same Boars	I OT DRECKYS ACIO.				
The new Board			Date		••
The new Board	Title				
			· · · · · · · · · · · · · · · · · · ·		
	President				
	President	oir Auctioneer)			
	President (Also the Vice-Pre	oir Auctionicer) aident			
	President (Also the Vice-Pre Secy-T	oir Auctioneer) sident reasurer			
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Name President and 1	President (Also the Vice-Pre SecyT Trustee Trustee vas 's office m Executive Director (oir Auctioneer) sident freasurer namager and	was an employed of	when F	yas the
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Name President and I	President (Also the Vice-Pre SecyT Trustee Trustee vas 's office m Executive Director (when I	oir Auctioneer) sident reasurer namager and resigned		along with	we
President and I	President (Also the Vice-Pre SecyT Trustee Trustee vas 's office m Executive Director (when I	oir Auctioneer) sident reasurer namager and resigned s and officers of		along with dee formed a Pertr	wer tership known s
President and I	President (Also the Vice-Pre SecyT Trustee Trustee vas 's office m Executive Director (when I he Board of Directors , while the	oir Auctioneer) sident reasurer namager and resigned s and officers of hey were Secy-Treas	wer and Vice-President of	along with ulso formed a Partr The purpose of	wer tership known s
President and I	President (Also the Vice-Pre SecyT Trustee Trustee vas 's office m Executive Director (when I as Board of Director , while the	oir Auctioneer) sident reasurer namager and resigned s and officers of hey were Secy-Treas		along with ulso formed a Pertr . The purpose of emonitation to suppor	•

Form 886-A E	CPLANATION OF ITEMS Schedule or Exhibit No:
	1
Name of Taxpaver	Years Ended
There was an agreement between (an	d prelinquish his position of Director of It was dated
execut	ed it as president of The new Board of Directors did approve this resimution
agreement. This agreement was designed stated that whatever measures were need	d to take control away from and and bothe prudent would be the prudent
thing to do. This would allegedly allow	
This agreement stated that	would immediately ralinquish his position of Director of and
"completely and commensurately" disba	and the current Board of Directors. In turn will honor the agreement made with
i for salary not medive a total of \$ in.	d for seven months in , plus two months severance salary, and therefore pay regular bi-weekly payments, beginning February 22,
receive a W-2 for \$. from	for the year ending on
9. There was also an agreement with	1 Towing Company dated February 8,
This agreement stated the following:	
1. will pay to pur	chase the H "Rollback" Truck for 1 will pay
this amount in monthly pay	ments, at 10% interest of \$ beginning with a first payment on March 15.
will be show	n as a lien holder until the balance is paid in full.
	chase the H 'Four Car Carries' for \$ To do so, will vay
on a total of \$ (1	the total payoff, to be paid within 10 days). will pay y payments, at 10% interest, of \$ beginning with the first payment on
balance of \$ in 18 month! March 15, w	y payments, at 1075 interest, of 5
3. will pay. 1\$	on each of the following Fridays to include February 11, February 25, March 3
and March 10. Thereafter,	will pay IS per week for 32 consecutive weeks,
and \$ for a final week (calcu	lated to include 10% interest throughout these 33 weeks).
	Automobile Dealer License "housed" at a location at his discretion, for his
own purposes.	
This agreement was signed by	for Towing Company and by the
President for . From February 11 to	
Towns Company, owned & opera	
not , as a fair interes	t rate. These checks to Towing Company were marked loan
payable, but did not provide any any	porting documentation for this claimed loss, except for the agreement mentioned
abovo.	
For the year ended on December 31,), the new Board of Directors used three different independent towing companies recrvices. Unlike their former President/Executive Director,
	g services, to just assigned the towing service to his son
	to longer quotes only the Kelley Blue Book Retail value over the phone. They
provide the donor with the rotal & who	lessle values to use as a guide in determining the book value of their vehicle. They were quick to point out to those donors that are donating a vahicle in need of
	were quick to point out to mose donors that are consuming a value to their vehicles.
This practice was not part of the policy	
The position is an include the position of the	

vehicle at their auctions. These auctions are open to public.

It is no longer the policy of to sell retail vehicles or wholesale vehicles to any retail customer or dealer. All cars are sold at the suction no exceptions. The current officers believe that this practice is fair and affords everybody the same opportunity to buy vehicles at whatever the last bid brings. Employees and officers of are allowed to bid on any

Form \$86-A	IE X	XPLANATION OF I	rems		dule or Exhibit
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Name of Taxpay		<u> </u>		 -	
Mame of Tarpay	61		• * • • • • • • • • • • • • • • • • • •	Year	rs Ended ;
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in .han	expanded from the	area into th	e i area. It	is currently one	rating two auctions
, week one in	ni sao bar	. The expansion w	as possible through th	cir partnership	s with other charities
\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	formally of	, was bro	ught on as Director o	f Development	. His sale purpose
was to dovctop I	partnerships with charities all partnership donations	s cusping mose charite	s to generate monies	not normally a	
costs for towing	, reconditioning, suction	i free advertising detaili	ne and all come of ne	napyt wite	absorbing all the
material that wo	ald belo them in their ca	r donation renovem Sin	us wan an come of be	departure.	was partnered wit
the				mpm imo,	Man Darrie of All
10. for the year	anding on December 31.	. was paying insure			wete _
on December 31	Υ	was not an emplo		o worked for:	for the year ende
total amount pai	•	-	s S According	er ended on De	combor 31, T tofficers, there is n
relationship ben	offic. bus i noow	r than at one time or and	ther they were both o	Wated or opera	tod by
the so	n of former Execu	tive Director & Presiden	t. The current manage	ement:	1
	was not employed at tha	t time so they could not	explain why this Insu	rence premium	was paid out of
. storooms.				,	
The following is a lie	st of transactions between				42
Executive Director.		n and in current orn	cers and employees a	tter their forme	or President &
Site of the state	rusign	ne di ronium y			
bec	ame president of	in February	while continuing to p	rovide auction	per services for
Auction		. The partie	s entered into a write	m agreement d	ated July 1.
	Personal Property at Au	ction" that was signed b	y the office manager		and
nictioneer secrices to	nder this agreement, λ o the general public beca	does not have the right t	o control		able to offer his
and is operates a con	poration. The current of	ficers (ment of Commerce hat they do not know
whether		vices were approved by			or considered a
outside buds from oth	ler auctioneers.				
The contract between	the parties provided the		wing to	:≣% of the g	ross proceeds from
auctions, advertiseme	ant (approx. 3 per we	ock), supplies, towing of	the vehicles, security	, indurance, do	ailing as needed,
conducted at the faci	r & title as needed, and t lity owned by sud th	at had to	esy the clerking, cash	ovided that the	anchous would be
			ay me crotaing, cash	noi' errer 11178 tit	an services.
Exam findings disclo	sed that paid advert	ising expenses of \$	directly to various	newspapers ar	id publications duri
That also	paid S	for advertising servi	ces during this same	period. The cu	or ob reside tarn
	vertising expenses incur	red by mod	paid by . were ap	proved because	there are no
	tation. The advertising d		nization's name in it,	while the adve	atising done by
doesn't, it h	is name	and telephone number, (he time, and place of	the Car Auctio	Δ.
as the	Auguoneer and Presider	nt of receiv	ed a commission from	n the sele of ni	ne Non-Austiana
Vehicles that totaled			nd		d to the Board of
and the second s	e was stopped. Howeve	· ·	ne current President o		and still serves as i
Auctionour.	== · · · · · · · ·				
				•	* *
	for the year ending on I		osed that an independ		
Appraisers, charged		a car while	their Auctioneer an		
The decision to use	tor apprais	el brithosos mes mege pl	7 ,	pocuse men f	eneved that

Form 886-A		EXPL	ANATION OF	TTEMS	Schedule or Exhibit No.
Name of Taxpa	yer	. ":, .			Years Ended

provided faster and more efficient services than was provided to support this claim.

even though no supportive documentation

Starting in February of Vice-President received use of Secv-Treasurer and vahiclas was provided with a i Dodge Sport Mini-Van. and was provided with 1992 Lincoln Continental In mid October of trustee, for travel to and from the a vehicle was provided to location and auction sites. the organization's Auctioneer & President was provided a donated 1985 560 SEL Mercedes Benz, which paid for the repairs and paint job. The management at) approved this. There was no accountability for the use of these vehicles and the value of the use was not reported on Form W-2 or 1099 as a fringe benefit.

There were no independent Board Members on 's Board of Directors for the years ending on December 31, or All Board Members of were either employees of or had financial relationship with

Law

Section 501(s)(1) of the Internal Revenue Code of 1986 provides for examption from taxation for organizations described under section 501(c)(3) of the Code. Section 501(c)(3) provides in partinent part:

"...Corporations, and any community thest, 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 aports competition,...,no part of the net carnings of which insures to the benefit of any private shareholder or individual."

In order to be seempt under section 501(c)(3), an organization must be both organized exclusively for one or more of the exempt purposes specified in the section, known as the organizational test, and operated exclusively for such purposes, known as the operational test. See sec. 1.501(c)(3)-1(a)(1), Income Tax Regs. Failure to satisfy either test precludes a section 501(c)(3) exemption.

Section 1.501(c)(3)-1(c)(1) of the Income Tax Regulations says an organization "operates exclusively" for 501(c)(3) purposes only if it engages primarily in activities that accomplish one or more of such exampt purposes as specified in that Code section. It does not operate exclusively for 501(c)(3) purposes if more than an insubstantial part of its activities do not further such purposes.

In application of the organizational and operational tests, "exclusively," does not mean " solely " or " absolutely without exception". National Movement v. Commissioner, 102 T.C. 558, 576 (1994) (quoting Church in Boston v. Commissioner, 71 T.C. 102, 107 (1978)), affid. 37 F.3d 216 (5th Cir. 1994); see also Copyright Clearance Cta., Inc. v. Commissioner, 79 T.C. 793, 803-804 (1982). Nonetheless, the presence of a single nonexempt purpose, if substantial in nature, precludes exempt status, regardless of the number or importance of truly exempt purposes. See Better Business Bureau v. United States, 326 U.S. 279, 283 (1945); Redlands Surgical Serva v. Commissioner, 113 T.C. 47, 71-72 (1999); Nationallet Movement v. Commissioner, gurea at 576; American Campaign Academy v. Commissioner, 92 T.C. 1053, 1065 (1989).

Section 501(c)(2)-1(c)(2) of the regulations provides that an organization is not operated exclusively for one or more exempt purposes if its not carmings inure in whole or in part to the benefit of private shareholders or individuals.

Section 1.501(a)-1(c) of the regulations provides that the words "private shareholder or individuals" refer to persons having a personal and private interest in the activities of the organization.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not operated exclusively for one or more purposes unless it serves a public rather than a private interest. Thus, the organization must establish that it is not organized or

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operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

In Better Business Bureau of Washington, D.C. v. U.S., 326 U.S. 279, 283 (1945), the Court stated that "the presence of a single... [nonexempt] purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly... [exempt] purposes." In Church of Scientology of California v. Commissioner, 823 F.2d 1310, 1316 (1987) the Court also stated that "The term 'no part' is absolute. The organization losse tax exempt status if even a small percentage of income inures to a private individual." (quoting Founding Church of Scientology v. United States, 412 F.2d 1197, 1200)...

Greg R. Vinikoor v. Commissioner, T.C. Memo. 1998-152, held that whether a loan exists depends on all the facts and circumstances, including whether:

- (1) There was a promissory note or other evidence of indebtedness;
- (2) Interest was charged;
- (3) There was security or collateral;
- (4) There was a fixed maturity date;
- (5) A demand for repayment was made;
- (6) Any actual repayment was made;
- (7) The transferee had the ability to repay:
- (8) Any records maintained by the transferor and/or the transferor reflected the transaction as a loan; and
- (9) The manner in which the transaction was reported for Federal tax purposes is consistent with a loan.

In The Founding Church of Scientology v United States, 412 F.2d 1197, a corporation organized to act as a parent church for the propagation and worship of a religious faith known as "Scientology" did not qualify for tax-exempt status because it failed to prove that no part of the corporation's net earnings inured to the benefit of private individuals. It was unnecessary to find whether the corporation was a religious or educational organization, or whether its operations were exclusively for religious or educational purposes.

Also in Founding Church of Scientology v. United States, 412 F.2d 1197 (Ct. Ct. 1969), cort. dem., 397 U.S. 1009 (1970), an organization argued that the Court should not find that the organization's earnings have inured to its founders since it had made some payments to him as repayments on a loan. The organization could not, however, produce any documents evidencing indebtedness. The Court concluded that the plaintiff had failed to meet its burden of proof that a part of the corporate net earnings was not a source of benefit to private individuals.

In John Marshall Law School v. United States, 228 Ct. Cl. 902 (1981), The law school and the college paid for the founding family's automobiles, education, travel expenses, insurance policies, basketball and hockey tickets, membership in a private eating establishment, membership in a health spa, interest-free loans shome repairs, personal household furnishings and appliances, and golfing equipment. The court determined that the expenditures for the founding family were not ordinary and necessary expenses in the course of the law school's and the college's operations. The court also found that the payment of college expenses for the founder's children by the law school provided direct and substantial benefits to the founder of the law school and his brother. The payment of the college expenses helped to defray the costs of their children's education, a cost which they otherwise would have had to satisfy from other resources. The court found these payments to constitute prohibited informent of the law school's earnings to the founder and his brother, parents of the students.

In Church of Gospel Ministry, Inc., (CGM) v. United Stated of America, 640 F. Supp. 96, the court found:

"...In order to establish that it is qualified for tax-exempt status, CGM has the burden of proving three elements contested by the IRS: (1) that CGM is a corporation operated primarily for religious and/or charitable purposes, 26

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U.S.C. @@ 170 (c)(2)(B), 501(c)(3); 26 C.F.R. @1.501(c)(3)-1(c)(1); (2) that no part of CGM's net earnings impressed to the benefit of any private shareholder or individual, 26 U.S.C. @ 170(c)(2)(C), 501(c)(3); 26 C.F.R. @ 1.501(c)(3)-1.(c)(2), and (3) that CGM maintains records sufficient to demonstrate that it is entitled to tax-exempt status, 26 U.S.C. @ 001; 26 C.F.R. @@ 1.6001-1(c), 31.6001-1..."

- "...However, CGM has failed to keep records adequate to determine the full nature of its operations and failed to show that its operations do not inure in part to the private benefit of its officers..."
- "...There is no accurate record of CGM's expenses. There is no record showing whether these funds were expended for operating costs, given to the orphanage or used for other purposes..."

Section 1.501(a)-1(2) provides in partitiont part

"...An organization,... is not exempt from tax merely because it is not organized and operated for profit. In order to establish its exemption, it is necessary that every such organization claiming exemption file an application form as set forth... Subject only to the Commissioner's inherent power to revoke rulings because of a change in the law or regulations or for other good cause, an organization that has been determined by the Commissioner or district director to be exempt under section 501(s) or the corresponding provision of prior law may rely on such determination so long as there are no substantial changes in the organization's character, purposes, or methods of operation."

Section 4958 was added to the Internal Revenue Code by section 1311 of the Taxpayer Bill of Rights 2, P.L. 104-168, 110 Stat. 1452, enacted July 30, 1996. The section 4958 excise taxes generally apply to excess benefit transactions occurring on or after September 14, 1995. The Report from the Committee on Ways and Means on the Taxpayer Bill of Rights 2, H.R. 2337, was submitted March 28, 1996. H. Rep. No. 506, 104th Cong., 2d Sess. (1996) 53. Proposed regulations were published in the Federal Register August 4, 1998; 63 F.R. 41486. The proposed regulations were replaced by temperary regulations that were published in the Federal Register January 10, 2001, 66 F.R. 2173. The temperary regulations were replaced by final regulations that were published in the Federal Register January 23, 2002, 67 F.R. 3076. The final regulations, which apply as of January 23, 2002, represent a fair and reasonable interpretation of section 4958, based on the intent of Congress as expressed in the Report from the Ways and Means Committee submitted March 30, 1996. None of the section 4958 regulations cited below are more unfavorable to the taxpayer than the comparable provisions in the proposed regulations or the temporary regulations.

Section 4958(a)(1) of the Internal Revenue Code imposes on the participation of any organization manager, a tax equal to 25 percent of the excess benefit (the "first tier tax"). This tax must be paid by any disqualified person with respect to such transaction.

Section 4958(a)(2) of the Code imposes on each excess benefit transaction a tax equal to 10 percent of the excess benefit unless the participation is not willful and is due to reasonable cause.

Section 4958(b) of the Code provides that where an initial tax is imposed, but the excess benefit involved in such transaction is not corrected within the taxable period, a tax equal to 200 percent of the excess benefit involved is imposed and must be paid by any disqualified person with respect to such transaction (the "second tier tax").

Section 4958(c) of the Code, in part, defines "excess benefit transaction" as any transaction in which an economic benefit is provided by an "applicable tex-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.

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Section 4958(e) of the Code defines "applicable tax-exempt organization" as an organization described in either section 501(c)(3) or section 501(c)(4) of the Code or an organization, which was so described at any time during the five-year period ending on the date of the excess benefit transaction.

Section 4958(f)(1) of the Code defines "disqualified person" as (A) my 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, and (C) a 35-percent controlled entity.

Section 4958(f)(2) of the Code defines "organization manager" as any officer, director, or trustee of an exampt organization or any individual having powers or responsibilities similar to those of an officer, director, or trustee.

Section 4958(d)(1) of the Code provides that with respect to any excess benefit transaction, if more than one person is liable for any IRC 4958 tax, all such persons are jointly and severally liable for that tax.

Section 53.4958-1(e)(1) of the regulations provides that except as otherwise provided, an excess benefit transaction occurs on the date on which the disqualified person receives the economic benefit for federal income tax purposes.

Section 53,4958-6(a) of the regulations provides that payments under a compensation arrangement are presumed to be reasonable, and a transfer of property, or the right to use property, is presumed to be at fair market value, if the following conditions are satisfied:

- (1) The compensation arrangement or the terms of the property transfer are approved in advance by an authorized body of the applicable tax-exampt organization (or an entity controlled by the organization with the meaning of regulation 53.4958-4(a)(2)(ii)(B)) composed entirely of individuals who do not have a conflict of interest (within the meaning of paragraph (c)(1)(iii) of this section) with respect to the compensation arrangement or property transfer, as described in paragraph (c)(1) of this section.
- (2) The authorized body obtained and relied upon appropriate data as to comparability prior to making its determination, as described in paragraph (c)(2) of this section; and
- (3) The authorized body adequately documented the basis for its determination concurrently with making that determination, as described in paragraph (o)(3) of this section.

Section 6001 of the Code provides that every person liable for any tax imposed by the Code, or for the collection thereof, shall keep adequate records as the Secretary of the treasury or his delegate may from time to time prescribe.

Section 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 animal return, stating specifically the items of gross income, receipts and disbursoments, 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.

Section 1.6001-1(a) of the Procedure and Administration Regulations in conjunction with section 1.6001-1(c) provides that every organization exempt from tax under section 501(a) of the Code and subject to the tax imposed by section 511 on its unrelated business income must keep such permanent books or accounts or records, including inventories, as are sufficient to establish the amount of gross income, deduction, credits, or other matters required to be shown by such person in any return of such tax. Such organization shall also keep such books and records as are required to substantiate the information required by section 6033.

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Section 1.6001-1(e) of the regulations states that the books or records required by this section shall be kept at all times 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.

Section 7805 of the Internal Revenue Code stated that the Secretary may prescribe the extent, if any, to which any ruling or regulation, relating to the internal revenue laws, shall be applied without retroactive effect.

Rev. Proc. 2001-5 Section 18.06 in part states the following:

.06 Generally, a technical advice memorandum that modifies or revokes a letter ruling or another technical advice memorandum or a determination letter is not applied retroactively either to the taxpayer to whom or for whom the letter ruling or technical advice memorandum or determination letter was originally issued, or to a taxpayer whose tax liability was directly involved in such letter ruling or technical advice memorandum or determination letter if—

(2) the facts at the time of the transaction are not materially different from the facts on which the letter ruling or technical advice memorandum or determination letter was based:

TAXPAYER'S POSITION:

See attachment for

s position and response to the Statement of Facts.

GOVERNMENT'S POSITION ON ISSUE #1

is a "private abarcholder or individual" as that term is defined in section 1.501(a)-(1)(c) of the Treas. Reg.
is also a disqualified person and foundation manager with respect to
is the founder of and served as the President and Executive Director from August until February
was in a position to exercise substantial influence over the affairs of . He received communic benefits when made repayment of alloged loss he claims to have made to even though he was unable to provide the Service with any written documentation that the loss were ever made.

The response submitted by the fails to address the issue of whether repsyments of alleged leans by constituted a private benefit to him. Therefore, the government maintains its position that is a "private shareholder or individual" who received an economic benefit from

GOVERNMENT'S POSITION ON ISSUE #2

paid Towing Company for picking up donated valueles. The amounts paid were in excess of the fair market value and constitutes a private benefit to the sole owner of is the father of and never requested any written bids for towing services, he just assigned the towing service to his son. The new Board of Directors for the year stated that, Towing Company was created for the sole purpose of providing towing services for (. The board further stated that when it relinquished his position of Executive Director & President, his son ceased operation of . Towing Company. The stream of revenues it paid to it resulted in an economic benefit to

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The Board of Directors for the year for	and the rates from	Were too procos	ive and uses three different
towing companies, which put bids in for the			
was charging \$100 per unit for any run to th			pays 565 per unit to the
arca in			
	· · ·		
The EO's response that !			per execution of forms required
by (contradicts the audit findings by the !			during
during ', and \$. during to			ties of donated vehicles from .
the donor to . In response to the Informs		t submitted to the Board of I	
the trustees provided a written statement tha	it' (Tov	ving Company was created f	or the sole purpose of towing
), a teshouse that pecurise the	
support or deny proc	cess for hiring tow drive	ers, the assumption should be	deleted. Treas. Keg. Section
1.6001-1(c) provides in relevant part that, th	o organization exempt	from tax under section 501(a) shall keep such books and
records as ere required to substantiate the in	formation required by a	ection 6033.	
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GOVERNMENT'S POSITION OF	n issue #3:		
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is another grave problem.
GOVERNMENT'S POSITION ON ISSUE #6
's payment of \$ to their former President and Executive Director,
checks drawn or so sank account and issued to his Floor Plan Company and failed to provide Service with any written documentation for this alleged loan.
The EO's statement is contrary to the March 26, response provided by their former trustee and CPA,
who stated that Phil owned and controlled a c. Therefore, the government maintains its position that.
GOVERNMENT'S POSITION ON ISSUE #7:
GO 1 MANUAL OF ADDRESON ON MODERNIA

location prior to

, when came into existence.

for use of its property.

did not compensate

Form 886-A		EVDYAN	ATION OF IT	TMS		Schedule o	r Exhibit
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es salvage or scrap	. It is also the go	overnment, a boaști	on that	3, t	hrough aide	d and sbetted i	marstatement

of the tax liabilities of donors to

Form 886-A		EXPLANATION O	f items	Sc No	hedule or Exhibit
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asonable; his activit	ies to sid and abot w	aderstatement of tax list	oilities; and 's ner	v Board of Direc	tors failure to conside
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OVERNMENT	'S POSITION (ON ISSUE #11:			
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did not provide a position on this issue.

Form 886-A	EXPLANATION OF ITEMS		Schedule or Exhibit
Porm Goo-A	EXPLANATION OF TIENS		No.
		· · · · · ·	<u> </u>
Name of Taxpayer			Years Ended
,			1 '
		· ••	
GOVERNMENT'S POSITION	<u>DN ON ISSUE #13</u> :		
It is the government's position	should be revoked retroactively, et		
President and Executive Director,	and his wife each received to (2)(3)-1(c)(2) of the regulations		and inurament in violation of the
impermissible private banefit in secti	ion 1.501(c)(3)-1(d)(1)(ii). See John Marab	all Law School	and John Marshall University v.
U.S., supra.		• •	
			31 L 3 L 3 L 3 L 3 L 3 L 3 L 3 L 3 L 3 L
It is also the government's position t			ive Director of
receive brivate occerna mont me soo	ve mentioned excess benefit transactions w	vitti .	
In determining whether to revoke the	e tex-exempt status of the applicable tr	x-exampt organ	ization which has been a party
	following facts and circumstances were con		
A) Whether the organization has bee	n involved in repeated excess benefit trans	actions.	
Cortified Public Accountrates	nd former director explained to the founder	and former Pro	aident and Executive Ornetoe
	ry of a revenues may inure to the bench		
	ftor being counseled by their CPA/co-direc		continued to engage in
the activities that caused excess benu	sfit transactions, which resulted in private b	enefit and mure	ment
Even after the current President and	auctioneer, took over for		who compand in Til
, private benefits and inurement			, who resigned in February ed person and foundation
manager with respect to			to exercise substantial
	received private benefit and increment fro		following transactions: (1)
	Non-Auctioned Vehicles totaled which to \$		
drove a 1985 Mercedes-Beaz 5600 f	o was the sauctioneer at the time he we	was donated to	nt - a conflict of interest; (3) He
	spairs were made to this vehicle and paid by		y as their auctioneer
charged extra for appraisals, when a	n outside independent appraiser was chargi	ng only \$75 cor	mpareu to \$125 charged by
Executive Director,	involved in repeated excess benefit transact and his family members and with their		
Executive Streets,	and his landing inclines a sile with their t	omicin Licented	w.Comforteer!
The: were no independent Board M	sembers on a Board of Directors for the	years ending o	n December 31,
All Board Mombers of we	ere either employees of or had a financi	al relationship v	vit <u>h</u>
5			
H) The size and scope of the excess	benefit transactions in relation to the size a	ng scope of the	organization a activities.
The excess benefit transactions that	resulted in private benefit and inurement re	presents %,	%, and % of the
organization's total expenses for	spectively.		
		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	"The second seco
	•		
C) The actions of the organization u	pon determining that it have been a party to	an excess bene	fit transaction.
	pon determining that it have been a party to you after being counseled by their CPA/co-	* * * * * * * * * * * * * * * * * * * *	fit transaction. s continued to engage

		EXPLANATION OF I	TEMS	Schedule or Exhibit
				No.
	<u> </u>			
Name of Taxpa	yer		•	Years Ended
			• •	-
		· · · · · · · · · · · · · · · · · · ·		
D) Whether, after o	oncluding that it has to	been a party to an excess ben	eofit transaction, the o	rgenization has implemented
There were no safe:	niands were out in al	lace by their founder and for	mer Dresident/ Avenu	iam Director
their current Preside	ent and Auctionser		afoguarda should have	been an independent Board of
Transco, with the or	onomic reministrib	with the orkanismion and a	courage or merces bo	шсу.
E. The impact of the	o excess benefit trans	sactions on the charitable pu	moso of the organizati	ion.
~ · · · · · · · · · · · · · · · · · · ·				
				n is that funds that should have ormer President / Executive Direct
		resulted in inurement and pr		otmer President / Executive Differ
				zation whose principal numore wa
to solicit donations		The major thrust of the pr		
				duction for the value of the donate
vehicle.				mate value of used automobiles.
Ignoring this know				k rotail value of the donor's
automobile toerfhe	if with a copy of the I	RS Form 8283 used by dono	ani ka alaina aha-ibakis	and the last and the ship and the action of January
				contributions for the value of dona
automobiles. He m	ade no attempt to pro	vide donors with the more re	slevant, and much low	er, Kelly wholesale or salvage valu
automobiles. He m of the donated autor	ade no attempt to pro mobils. He provided	vide donors with the more re	slevant, and much low	
automobiles. He m of the donated autor	ade no attempt to pro mobils. He provided	vide donors with the more re	slevant, and much low	er, Kelly wholesale or salvage valu
sutomobiles. He most the donated sutosold for salvage or	ade no attempt to pro mobile. He provided scrap.	vide donors with the more re this information even though	slovent, and much low h he knew that many t	er, Kelly wholesale or salvage value of the donated vehicles could only b
sutomobiles. He most the donated auto- sold for salvage or a As a direct result of	ade no attempt to pro mobile. He provided scrap. This misleading info	vide donors with the more re this information even though	slovent, and much low h he knew that many t	er, Kelly wholesale or salvage valu
sutomobiles. He most the donated auto- sold for salvage or a As a direct result of	ade no attempt to pro mobile. He provided scrap. This misleading info	vide donors with the more re this information even though	slovent, and much low h he knew that many t	er, Kelly wholesale or salvage value of the donated vehicles could only b
automobiles. He most the donated autorsold for salvage or a direct result of deductions for their	ade no attempt to pro mobile. He provided scrap. I this misleading infor- vahiole donation.	wide donors with the more re this information even though mation, serveral donors clair	elevant, and much low h he knew that many o med greatly overstated	er, Kelly wholesale or salvage value of the donated vehicles could only b d valuations in taking section 170
automobiles. He most the donated autorsold for salvage or a direct result of deductions for their F. Whether the organization of the donated automatic result of the deduction o	ade no attempt to promobile. He provided scrap. this misleading inforvahiole donation. mization availed itself	wide donors with the more re this information even though remation, serveral donors clair of the reburable presumps	elevant, and much low h he knew that many o mod greatly overstated tion under Rega. 53.49	er, Kelly wholesale or salvage value of the donated vehicles could only be donated vehicles could only be donations in taking section 170 958-6(a).
automobiles. He most the donated automobiles for salvage or a direct result of deductions for their F. Whether the organization of the control of the contro	ade no attempt to promobile. He provided scrap. this misleading inforvahiole donation. mization availed itself	wide donors with the more re this information even though mation, serveral donors clair	elevant, and much low h he knew that many o mod greatly overstated tion under Rega. 53.49	er, Kelly wholesale or salvage value of the donated vehicles could only be donated vehicles could only be donations in taking section 170 958-6(a).
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founder, officers, employees, and other interested parties was reasonable. The audit evidence does not support a finding that

Form 886-A	EXPLANATION OF ITEM	MS Schedule or Exhi	bit.
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Name of Taxpa	er	Years Ended	
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- 3. s Board of Directors did not provide the Service with any documentation to determine that these transactions with their former President and Executive Director, and their current President and Anotioneer were fair market values.
- G. The extent of any adverse impact on the community if the organization's tax-exempt status is revoked.

There is no adverse impact on the community if stax-exempt status is revoked because the Salvation Army and Inter-National Foundation Corporation are located in the same geographical area as and have a program whereby the general public can donate their vehicles. Both organizations are exempt from faderal income tax under section 501(c)(3) of the Code and are generally known by the local community.

H. Whether there was compliance with other applicable laws.

Audit findings disclosed that failed to properly classify its officers as employees when such workers are expressly included in the definition of employee under section 3121(d) of the Code. issued Form 1099-MISC to its officers. In addition, is subject to additional employment taxes for failing to include the fair market value of denated cars to officers and employees for personal use. Based on audit findings also subject to additional employment tax for Backup Withholding on their car suction security & sign work and extra auction labor that was omitted from its payroll records. A separate audit report was propared to reflect this tax and reclassify its officers from independent contractors back to employees.

TAXPAYER'S POSITION ON ISSUE #13:

s position on this issue, is that the Service should not propose revocation of the organization's exempt status but pursue intermediate functions against their founder and former President and Executive Director, or these excess benefit transactions with

GOVERNMENT'S POSITION ON ISSUE #14:

It is the government's position that revocation be made retroactive to August 31, Revocation is applied retroactively, unless the Commissioner, Tax Exempt and Government Entities Division, exercise discretionary authority under regulation 7805(b) to limit the retroactive effect of the holding.

Their First Amended Articles of Incorporation dated July 21, stated in part, "No part of the net earnings of the corporation thall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons..."

Because private benefit and inurament issues do exist, the facts in this situation are materially different from those shown on the organization's exemption application. As a result, 7805(b) relief should not be granted.

id not provide a position on this issue.

Solution of Taxpayer ONCLUSION ON ISSUE #1: Ostpayments of undocumented loans by I were a private benefit and increment to A selected evidence of the existence of a loan is a writter agreement between the parties. Neither nor wided a loan agreement evidencing any loan between and without an averence to the fact that the purpose of the fact that the proof is on the fact that the proof is on the fact that the proof of a resolution of the Board of Directors respecting any loan from the proof of a resolution of the Board of Directors respecting any loan from the proof of a resolution of the Board of Directors respecting any loan from the proof of a resolution of the Board of Directors respecting any loan from the proof of a resolution of the Board of Directors respecting any loan from the proof of a resolution of the Board of Directors respecting any loan from the proof of a resolution of the Board of Directors respecting any loan from the proof of a resolution of the Board of Directors respecting any loan from the proof of a resolution of the Board of Directors respecting any loan from the proof of a resolution of the Board of Directors respecting any loan from the properties and the proof of the proof of a resolution of the Board of Directors respecting any loan from the street and the proof of the		, , , ,	EXPLANATION OF	THEME	* T.	Schedule or Exhib
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The lease payments wer or space not occupied b	y See <u>Joh</u>	ur Marshall L	aw Schoo	l v. Unite		i <u>pra</u> . The lea		extent they per
ubstantiated as comper	sation, and thu	n constrored	brivate oo	onus.				
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to show mough	facts and circumst	tances to determine the exist	tence of a loan.	·	ourden or broot is o
There is insufficient	detail to determin	e the existence of a borrowe	m/lander relationship he	tiveen and	
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Vidence of any other			he failure to document	any financial rela	
nd	is especially	y troublesome given the fac		father	wa
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he burden of provi	ne the existence of	f a loan rests on \ and	, VI	inikoor v. Comm	ssioner, subra
redible and probat			IT I TO BULL	lain the many in	consistencies in the
urrent information.	Thus, the burden	has not been met, and the al		•	s do constitute
rivate benefit to his	m.			• •	
CONCLUSION	ON ISSUE #1	<u>1:</u>			
1. Whether the	's payment to		for:	medical ins	nirance constitutes :
private benefit t	ю him.				•
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received substantial economic benefit as a private shareholder, disqualified person and foundation manager of when he received commissions on nine non-suctioned vehicles, excess advertising expenses, unlimited personal use of a 1985 Mercedes-Benz 5600 that was donated to _____, and excess appraisal fees.

Form 886-A	EXPLANATION OF ITEMS	Schedule or Exhibit No. 1
Name of Terr		Years Ended
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CONCLUSIO	N ON ISSUE #13:	•
13. L's ruling re	cognizing it as exempt under 501(c)(3) should be revoked as of the da	te of Incorporation.
The Service did co retroactively, effec	insider the following facts and circumstances, and concluded that tive August 31,	should be revoked
a. The musement Auctione) has been involved in repeated excess benefit transactions, what to their former President and Executive Director and his family mener	hich resulted in private benefit and abors and to their current President and
	and scope of the excess benefit transactions which resulted in private is to the size and scope of the sactivities.	benefits and inurement were not
persetit tr	r being counseled by their CPA, l; continued to enginerations, which resulted in private benefit and inurement. Thus the ing that it has been a party to an excess benefit transaction.	age in the activities that caused excess organization did not take actions upon
d. After confuture rec interest p	cluding that it has been a party to an excess benefit transaction, and durrences such as an Independent Board of Trustees, with no economicality.	id not implement safeguards to preven c relationship with and a conflict of
bave wer	ct of these excess benefit transactions on the charitable purpose of the transaction, instead went to the private of Executive Director and current President/Auctioneer, which results	benefit of their former
f.	does not avail itself of the rebuttable presumpation under Regs. 5	3.4958-6(u).
	to adverse impact on the community if 1 bax-exempt is a car donation organizations located within the same city and state as	revoked because there are numerous
donated	was per in compliance with other applicable law. It was the custo in: It is provide each donor, in writing, with only the retail vehicle, together with an IRS Form 8283. This was done for all vehicle many cases, the vehicles were inoperable and had to be resold by	l Kelley Blue Book value of the cles, regardless of the condition of the
former President a their current Presi 1(c)(2) of the regu		private benefit and inverment as did at inverment in section 1.501(c)(3)- ate benefit in section 1.501(c)(3)-

Form 886-A	EXPLANATION OF ITEMS	Schedule or Exhibit No.
<u> </u>	<u> </u>	1
Name of Taxpayer		Years Ended

CONCLUSION ON ISSUE #14:

14. Section 7805(b) relief should not be granted.

Relief under section 7805(b) should be prohibited in this case, because the facts at the time of transactions are materially different from the facts as reported in their Articles of Incorporation, which was submitted, with their Application for Exemption upon which their determination letter was based.

A technical advice was requested on these excess benefit transaction issues involving their founder and former President and Executive Director and his family members. These excess benefit transactions were deemed to be increment and private benefits in a related private letter ruling. Instead of responding to the Technical Advice request, it was determined by TE/GE Technical that a closing agreement would be in the best interest for both the organization and the government. TE/GE Technical did leave numerous phone messages and correspondence with the organization's representative who did not respond to them.

In the Service's letter dated December 10. to the organization and its representative, they were informed that if a and TE/GE Technical by Jamuary 31, the Service will issue a report settlement cannot be reached by to's exempt status and issue a 30-day letter. On January 15, the Service did receive a proposing revocation of signed Consent to extend the time to assess tax for Federal Income for the periods ended on December 31, . Enclosed was a written promise that they will forward, some time next week. (week of January 19, a letter describing their intent to get this all wrapped up by the end of this month (January 31 . Their attorney also promised a modified in-house monorandum setting forth current status and recent changes. As of January 31, o or its representative. The , neither TE/GE Technical nor TE/GE Revenue Agent has received anything from organization and its representative failed to meet their last deadline to negotiate a closing agreement with TE/GE Technical, therefore the Service issued a report proposing revocation of exempt status and issued a 30-day letter.