



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

Date: May 25, 2022

Taxpayer ID number:

Form:

Tax periods ended:

Number: **202248011**
Release Date: 12/2/2022

Person to contact:
Name:
ID number:
Telephone:
Fax:

UIL: 501.03-00

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

:

Why we are sending you this letter

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

Our adverse determination as to your exempt status was made for the following reasons: You are not described in IRC section 501(c)(3) because you are not organized and operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3) and Treasury Regulations Sections 1.501(c)(3)-1 (b)(1) and 1.501(c)(3)-1(c)(1). You do not engage primarily in activities that accomplish one or more of the exempt purposes specified in Section 501(c)(3) and Treasury Regulations Section 1.501(c)(3)-1(d).

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms and information please visit www.irs.gov.

Contributions to your organization are no longer deductible under IRC Section 170.

What you must do if you disagree with this determination

If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

How to file your action for declaratory judgment

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of IRC Section 7428 in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims or 3) the United States District Court for the District of Columbia.

Please contact the clerk of the appropriate court for rules and the appropriate forms for filing an action for declaratory judgment by referring to the enclosed Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status. You may write to the courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, DC 20217

U.S. Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439

U.S. District Court for the District of Columbia
333 Constitution Ave., N.W.
Washington, DC 20001

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

We'll notify the appropriate state officials (as permitted by law) of our determination that you aren't an organization described in IRC Section 501(c)(3).

Information about the IRS Taxpayer Advocate Service

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS, or you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Contact your local Taxpayer Advocate Office at:

Or call TAS at 877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to taxpayeradvocate.irs.gov. Do not send your federal court pleading to the TAS address listed above. Use the applicable federal court address provided earlier in the letter. Contacting TAS does not extend the time to file an action for declaratory judgment.

Where you can find more information

Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.

Find tax forms or publications by visiting www.irs.gov/forms or calling 800-TAX-FORM (800-829-3676).

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

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

Keep the original letter for your records.

Sincerely,



Lynn A. Brinkley

Acting Director, Exempt Organizations Examinations

Enclosures:

Publication 1

Publication 594

Publication 892

cc:



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

Date:
November 17, 2021
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:

CERTIFIED MAIL – Return Receipt Requested

:

Why you're receiving this letter

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

If you agree

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

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170.

If you disagree

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to

sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final adverse determination letter.

Contacting the Taxpayer Advocate Office is a taxpayer right

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

For additional information

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

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

Sincerely,

for Sean E. O'Reilly
Director, Exempt Organizations
Examinations

Enclosures:
Form 886-A
Form 6018

Form 886A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended	

ISSUES

Whether (the Organization) qualifies for exemption from federal income tax under Internal Revenue Code (IRC) Section (Sec.) 501(c)(3).

FACTS

Formation

The Organization was incorporated as a nonprofit corporation on in using the generic Articles of Incorporation provided by the state and listed , and as the Board of Trustees/Directors.

On , prior to its first meeting, the Organization submitted a "Certificate of Amendment to Articles of Incorporation for Nonprofit Corporations" to the state of stating that its purpose was "to give youth incentive to work toward goals and receive experiences that improve their lives and (to) operate exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code." The Certificate of Amendment also included the requisite purpose and dissolution clauses, including the requisite language restricting private inurement and political activity.

Application for Recognition of Exemption

On the Organization submitted a Form , *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. Under Part IV, "Narrative Description of Your Activities," in the attachment to the Form , the Organization provided the following:

is a nonprofit corporation organized and operated exclusively for educational and charitable purposes. The specific purpose of this organization is to instruct or train individuals, with a focus on youth, for the purpose of developing their goals and improving their lives.

The remainder of the three-page description provided a detailed explanation of how the Organization would carry out its activities through Speaking Engagements and Online Empowerment, its two main programs.

Exemption

On the Organization received recognition of exemption under IRC §501(c)(3) as a public charity, effective .

Activities

During the tax years ended and the Organization conducted speaking engagements at schools where provided insights from his own life experiences as a child living through an abusive relationship in order to reach out to children and youth who might be living in similar abusive relationship. Afterwards, he met with those in need one on one to determine how to best meet their needs. When possible, affected children and youth were invited to attend a camp, " , " to participate in fun activities and informal counseling sessions to help them break down the barriers created by abuse and empower them to move forward with their lives. These activities met the tax-exempt requirements as prescribed under IRC Sec. 501(c)(3).

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Financials Per Form

For the Tax Year Ended

Revenue:

Fundraising Events	\$
All Other Contributions, Gifts, Grants, & Similar Amounts	\$
Total Revenue	\$

Expenses:

Compensation of Current Officers, Directors, etc.	\$
Management (Fees for Services, Non-employees)	\$
Legal (Fees for Services, Non-employees)	\$
Accounting (Fees for Services, Non-employees)	\$
Other (Fees for Services, Non-employees)	\$
Advertising and Promotion	\$
Office Expenses	\$
Occupancy	\$
Travel	\$
Depreciation, Depletion, and Amortization	\$
Total Expenses	\$

Assets:

	<u>BOY</u>	<u>EOY</u>
Cash – non-interest-bearing	\$	\$
Land, Buildings and Equipment less Accumulated Depreciation	\$	\$
Total Assets	\$	\$

Liabilities:

Accounts Payable and Accrued Expenses	(\$)	(\$)
Loans and Other Payables to Officers	\$	\$
Unsecured Notes and Loans Payable to Unrelated Third Parties	\$	\$
Total Liabilities	\$	\$

[Note that the Organization didn't file a Form for the tax year ended . Further, as discussed in the Examination section below, the Organization didn't consider the file provided for to be complete or reliable. As such, no financials are provided herein for the tax year ended .]

Examination

On , Revenue Agent (RA) issued an initial contact letter, Information Document Request (IDR), and Publication 1 to inform the Organization of the examination and request an Initial Interview on .

The initial contact letter package was returned as undeliverable to RA on , so identified six different addresses for the officers as listed on the Form and resent the package to those addresses on requesting an Initial Interview on the same date, .

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Subsequently, RA _____ left the Service and the case was transferred to Revenue Agent _____ (RA _____) on _____. [Note that the case was subsequently transferred to Revenue Agent _____ (the Examiner) on _____.]

_____ rescheduled the Initial Interview and conducted the interview on _____ with _____, the Organization's Secretary and point of contact for the examination, _____, CPA (POA _____), and _____, CPA (POA _____).

During the Initial Interview, _____ confirmed that the Board of Directors listed on the Form _____ for the tax year ended _____ was correct but explained that he and _____ were currently the only board members left. _____ also stated that _____ and _____ were now married. [Note that for purposes of this document we will refer to _____ by _____ name, as _____ or _____, since that corresponds with _____ name of record for the years under examination.]

_____ further stated during the Initial Interview that the Organization provided funds for _____ and _____ personal expenses. In addition, he indicated these personal expenses were commingled within the books and records of the Organization and that there was no form of tracking to bifurcate the personal expenses from the Organization's expenses.

As stated in the Organization's Form _____ for the tax year ended _____, and further confirmed during the examination, _____ currently serves as the Organization's President and _____ currently serves as the Organization's Secretary.

The Organization's Form _____ for the tax year ended _____ listed \$ _____ for _____ and \$ _____ for _____ as "Reportable compensation from the organization (W-2/1099)" on Part VII, *Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors*.

_____ noted that the Organization hadn't filed a Form _____ for the tax year ended _____ prior to the beginning of the examination, so he asked why this was the case during the Initial Interview. _____ stated that the Organization was still trying to figure out its books and records for _____. _____ explained that _____, the Organization's Treasurer, was responsible for the Organization's books and records and for all of its required tax filings. _____ stated that she had filed the Form _____ for the tax year ended _____ without allowing him or _____ to review or approve the Form _____. _____ further explained that in _____ he and _____ discovered that _____ was misappropriating funds. When confronted, _____ departed abruptly and left the Organization's books and records that were still intact in disarray. As such, _____ indicated that he and _____ weren't sure if the books and records or the Form _____ for the tax year ended _____ were correct and were in the process of researching this information when the examination began. Thus, the Form _____ for the tax year ended _____ wasn't filed.

A review of the Organization's records and documentation provided by _____ revealed that _____ received \$ _____ and _____ received \$ _____ as reasonable compensation for services provided in _____. These amounts were included in the agreed Employment Tax examination for the Organization with instructions to issue Forms W-2 to _____ in the amount of \$ _____ and _____ in the amount of \$ _____.

Form 886A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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Examination of the Organization's books and records and the Organization's bank records indicated that _____ was a signatory of the Organization's bank account number _____ and that she was provided a debit card ending in number _____ associated with the Organization's bank account number _____.

A review of the Organization's books and records relative to this information revealed the following:

- Besides the amount of reasonable compensation _____ received during the tax year ended _____, _____ also received bank transfers from the Organization's bank accounts totaling \$ _____ and received checks written to her, or for personal items purchased or paid for by her, from the Organization totaling \$ _____.
- Besides the amount of reasonable compensation _____ received during the tax year ended _____, _____ also received checks written to her, or for personal items purchased or paid for by her, from the Organization totaling \$ _____ and the Organization made a payment to the IRS on her behalf in the amount of \$ _____.
- During the tax year ended _____ the Organization transferred \$ _____ and wrote three checks totaling \$ _____ to _____, an entity controlled by _____. As such, these amounts have been included in the _____ Bank Transfers and Checks as payments made to _____ below.

Further examination of the Organization's books and records for the tax year ended _____, taking into account the amount paid to _____ as compensation during _____, indicated that the Organization paid for the following purchases recorded on the aforementioned debit card assigned to _____:

Tax year	Type	Amount
	Groceries	
	Meals	
	Retail purchases	
	Total for	

As such, the examination of the Organization's books and records for the tax years ended _____ and _____ revealed that _____ received additional income from the Organization as follows:

Payments Made to		
Bank Transfers	\$	\$
Checks	\$	\$
IRS Payments	-	\$
Total Debit Card Purchases	-	\$
Totals:	\$	\$

Form 886A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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Examination of the Organization's books and records revealed that _____ was provided debit cards ending in numbers _____ and _____ associated with the Organization's bank account number _____ and a debit card ending in number _____ associated with the Organization's bank account number _____.

A review of the Organization's books and records relative to this information revealed the following:

1. Besides the amount of reasonable compensation _____ received during the tax year ended _____, the Organization paid \$ _____ for his life insurance and \$ _____ to his _____ account.
2. Besides the amount of reasonable compensation _____ received during the tax year ended _____, the Organization paid \$ _____ for his life insurance.

Further examination of the Organization's books and records for the tax years ended _____ and _____, taking into account the amount paid to him as compensation during _____ and _____, indicated that the Organization paid for the following purchases recorded on the aforementioned debit cards assigned to _____:

Tax year	Vendor	Amount
	Cable TV	
	Groceries	
	Insurance	
	Meals and entertainment	
	Medical	
	Retail	
	Ski & Snowboarding	
	Travel	
	Utilities in	
	Childcare	
	Total debit card purchases	

Tax year	Vendor	Amount
	Amazon	
	Groceries	
	Meals and entertainment	
	Medical	
	Retail	
	Travel	
	Total debit card purchases	

Form 886A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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As such, the examination of the Organization's books and records for the tax years ended _____ and _____ revealed that _____ received additional income from the Organization as follows:

Payments Made to		
Life Insurance	\$	\$
Account	\$	-
Total Debit Card Purchases	\$	\$
Totals:	\$	\$

LAW

Internal Revenue Code (IRC)

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

Treasury Regulations (Treas. Reg.)

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

Treas. Reg. Sec. 1.501(c)(3)-1(c)(1) states that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg. Sec. 1.501(c)(3)-1(c)(2) states that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. For the definition of the words private shareholder or individual, see paragraph (c) of section 1.501(a)-1.

Treas. Reg. Sec. 1.501(a)-1(c) states that the words *private shareholder* or *individual* in section 501 refer to persons having a personal and private interest in the activities of the organization.

Form 886A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended	

GOVERNMENT'S POSITION

It is the Government's position that the Organization does not qualify for exemption under IRC Sec. 501(c)(3).

For an organization to qualify for exemption under IRC Sec. 501(c)(3), no part of the net earnings of the organization can inure to the benefit of any private shareholder or individual.

Under Treas. Reg. Sec. 1.501(c)(3)-1(c)(1), 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 IRC Sec. 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

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

Under Treas. Reg. Sec. 1.501(a)-1(c) the words *private shareholder* or *individual* in section 501 refer to persons having a personal and private interest in the activities of the organization.

Based on the facts and circumstances stated above, and are individuals that have a "personal and private interest in the activities of the organization" and, thus, are "private shareholders and individuals" of the Organization.

Since and received additional income from the Organization over and above the amounts they received as reasonable compensation for services provided in and , these amounts represent net earnings which "inure in whole or in part to the benefit of private shareholders or individuals," and .

As such, the Organization failed to meet the requirements for tax exemption under IRC Sec. 501(c)(3) and the Regulations thereunder.

TAXPAYER'S POSITION

The Examiner discussed his findings with and POA and explained that the Government will be recommending revocation of the Organization's exemption under IRC Sec. 501(c)(3). stated that the Organization ceased operations in due to COVID-19. As such, it appears the Organization will accept the proposed revocation.

The Organization is being solicited for its position at this time.

CONCLUSION

The Organization does not qualify for exemption from federal income tax as it failed to substantiate that it is operated exclusively for one or more exempt purposes due to inurement, resulting in its failure to comply with the requirements of IRC Sec. 501(c)(3) and Treas. Reg. Sec. 1.501(c)(3)-1(c)(2).

Form 886A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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It is the Government's position that the Organization failed to operate exclusively to accomplish one or more of such exempt purposes specified in IRC Sec. 501(c)(3). Because the Organization was not operated exclusively for the exempt purpose under IRC Sec. 501(c)(3), its Federal tax-exempt status under such section should be revoked effective . The Organization is liable for filing Form , *U.S. Corporation Income Tax Return*, and paying any related tax liabilities for the tax year ended and all years thereafter.