



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Release Number: **201031033**
Release Date: 8/6/10
Date: 5/13/2010
UIL Code: 501.03-00
501.03-04

Contact Person:
Identification Number:
Contact Number:
Employer Identification Number:

Dear

This is our final determination that you do not qualify for exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(3). Recently, we sent you a letter that proposed an adverse determination on your request that we modify your exempt status from Code section 501(c)(4) to Code section 501(c)(3). The letter explained the facts, law and rationale, and gave you 30 days in which to file a protest. You requested an additional 30 days in which to submit a protest and we approved the extension. Because you did not file a protest within the extended period, the proposed adverse determination is now final.

Because you do not qualify for exemption as an organization described in Code section 501(c)(3), donors may not deduct contributions to you under Code section 170. Based on our previous determination letter, you remain exempt under Code section 501(c)(4). You should continue to file annual information returns on Form 990.

Under separate cover, we are sending you a final determination that the subordinates in your group ruling also remain exempt under Code section 501(c)(4).

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437.

If you agree with our deletions, you do not need to take any further action. If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter.

If you have any questions about your annual requirements to file Form 990 or about other filing requirements, please contact IRS Customer Service at 1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Rob Choi
Director, Exempt Organizations
Rulings & Agreements

Enclosures
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: 3/1/2010

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

Legend:

UIL Index:

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Dear

We have considered your application for recognition of exemption from Federal income tax under Internal Revenue Code section 501(a). Based on the information provided, we have concluded that you do not qualify for exemption under section 501(c)(3) of the Code. This proposed denial letter applies only to your Form 1023 application. This letter supersedes our prior proposed adverse letter dated September 22, 2008 and considers information provided in your protest. Your request for a group ruling will be issued under separate cover. The basis for our conclusion with respect to your tax-exempt status is set forth below.

Issue:

Do you qualify for exemption under section 501(c)(3) of the Internal Revenue Code(IRC)? No, for the reasons explained below.

Alternative Issue:

If in the future changes are made to your operations and it is determined you qualify for exemption under section 501(c)(3); should the changes and corrections result in qualification under section 501(c)(3) prior to the effective date of the changes and/or corrections? No, for the reasons explained below.

Facts

Background

You, X, are a national organization with approximately x member clubs and more than y members. You were originally formed as an unincorporated association and were later incorporated under the laws of the state of D. You were granted exemption under section 101(9) of the Revenue Act of 1934. The ruling was affirmed four separate times. Later, in a group ruling, and a supplemental group ruling, the IRS found that you and your subordinate clubs qualified under section 501(c)(7) of the Internal Revenue Code as tax-exempt social clubs. Subsequently, you and your subordinate clubs were granted exemption from Federal income tax under section 501(c)(4) of the 1954 Code as "organizations not organized for profit but operated exclusively for the promotion of social welfare," rather than as social clubs as described in section 501(c)(7) of the Code. You represented that you created another organization that is tax exempt under section 501(c)(3) of the Code to carry out your charitable purposes such as E.

You filed a Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, requesting recognition as an organization described in section

501(c)(3). With your Form 1023, you also requested to be reclassified under section 501(c)(3) for a group exemption on behalf of E, which is a member club that has agreed to be bound by your Constitution and Bylaws.

In a letter to the Service, you withdrew your request for exemption under section 501(c)(3) of the Code and stated that the sole reason for withdrawal was the fact that you could not file the proposed amendment to your Articles of Incorporation until the amendment was adopted at the organization's next member meeting. You maintained that the amendment contained the requisite 501(c)(3) language.

You subsequently retracted your request to withdraw your exemption application. The Service requested additional information including whether the amendment had been approved by the membership and whether the amended articles had been filed with the state of D. Because we determined that your group ruling request extended beyond just one subordinate, you were also asked to select ten member clubs to act as a representative sample. The letter stated that the representative sample should consist of clubs from different states and varying sizes. You were also asked to submit each member clubs' organizational documents and income statements for the last three years.

In your response, you provided a copy of your Articles of Amendment as well as information showing that the amendment was approved by your members; however, you failed to provide the requested information as described above concerning your subordinate clubs. The case was later closed for failure to provide enough information to determine whether you qualified for exemption under section 501(c)(3) of the Code. The case was later re-opened upon receipt of your response in which you provided financial documents as well as organizing documents for six subordinate clubs. In total we sampled information on 13 representative subordinate clubs which are further described in pertinent part below.

Purposes

According to your Form 1023 application, you represent that your primary purposes are to promote and provide youth development programs through the organization of subordinate clubs throughout the world. You represent that, to promote youth development, you provide materials and resources to the subordinate clubs to carry-out charitable programs, including a childhood cancer campaign, an annual competition that recognizes clubs for their community service and fundraising activities, an essay contest, oratorical contest, a communication contest for the deaf and hard of hearing, junior golf tournaments, the U program, a program providing young people ages 6-19 with leadership skills while performing community service, as well as youth appreciation and safety. You state that these grassroots programs are conducted by volunteers at the member club level, but that such activities would never occur but for your organizational, promotional, and coordination efforts. You state that "given the size of the organization and the large number of member clubs, X relies heavily on its member clubs to conduct its charitable and educational outreach programs."

Article 2 of your original Articles of Incorporation states that the purposes and objects for which you are organized shall be:

First: To conduct a civic and social welfare organization for the common benefit of the members and the community.

Second: To internationally develop C as a philosophy of life.

Third: To promote an active interest in good government and civic affairs, to inspire respect for law, to promote patriotism, and to work for international accord and friendship among all people.

Fourth: To aid and encourage the development of youth throughout the world.

Fifth: To develop new clubs and to assist and advise B Clubs.

Article 2 of your Articles of Amendment to your original Articles of Incorporation, filed with the state of D, added that:

The Corporation is organized exclusively for charitable and educational purposes set forth in Section 501(c)(3) of the Internal Revenue Code of 1986, as now in effect on or as may be amended (the "Code"). Without limiting the generality of the foregoing, the purposes for which the Corporation is organized and will be operated include, but are not limited to, promoting an active interest in good government and civic affairs, inspiring respect for law, promoting patriotism and working for international accord and friendship among all people, and aiding and encouraging the development of youth. Nothing herein shall be construed to give the Corporation any purpose that is not permitted under Section 501(c)(3) of the Code and the D State Nonprofit Corporation Act (the "Act").

Section 2, Article II of your Bylaws state that:

X is organized and shall operate exclusively for charitable and educational purposes set forth in Section 501(c)(3) of the Internal Revenue Code of 1986, as now in effect or as may be amended (the "Code"), including, but not limited to, developing C as a philosophy of life, utilizing the tenets of the B Creed; promoting an active interest in good government and civic affairs; inspiring respect for law; promoting patriotism and working for international accord and friendship among all people; and aiding and encouraging the development of youth, in the belief that the giving of one's self in service to others will advance the well being of humankind, community life and the world.

Operations

You provided the following information about your activities, which you conduct both directly and through your affiliated clubs.

You undertake leadership development, website development, charitable programs, training conferences, member and club development, communications and graphics and administrative services.

Regarding your charitable programs, you provide the training, resources and funding to member clubs to carry out your stated charitable and educational purposes. You develop planning guides for the following charitable programs: respect for law week/promotion of non-violence, tri-star sports skills activities, youth appreciation and youth safety. You state that the planning guide explains the purpose of the activity and offers suggestions for projects that relate to a particular theme.

You also conduct an annual international junior golf championship, the primary purpose of which is to promote an interest of youth in amateur sports, and to provide physical fitness and good sportsmanship. You also conduct an annual international essay, oratorical and communication contest for the hard of hearing. You provide to your member clubs planning guides and rules for all of these contests. Winners are selected at local and district levels and advance to the international contest where you select the finalists. You provide funding for research grants as part of a cancer campaign and funded the production of a video resource for parents of cancer patients.

Regarding your leadership development and training activities, you represent that you make available 10 skill (i.e. leadership) development modules that are written by volunteer members. These modules are intended to be self taught or taught at club meetings. You also conduct training sessions for individuals who aspire to be trainers. These trainers will train club members and officers at district meetings on various issues. In addition to the training sessions, you conduct regional conferences for officers of your subordinate clubs.

As to member development, you have a department with two full time staff who are dedicated to member and club development. Twenty-five percent of your activities involve recruiting new members through your growth and development programs. You described the functions of this department to include: "New Club Development (aka New Club Building) – overseeing the granting of official Charters to new B Clubs, assists in every stage of the formation process, provides resource materials to volunteers and oversees the assimilation of new Clubs into organization; International Development. Member Development—manages the training of current B members, training is conducted at the International Convention, the Governor's conference, Governor-elect Conference and at the various Regional Training Sessions. The focus of the sessions is on growing Members and Clubs, fund-raising strategies and marketing the Club."

You further state that you provide member benefits such as fellowship and training to include personal development, financial management, and leadership development. You provide "fellowship, by the very nature of our club structure you have others within your community to associate with like-minded people."

Holding an annual convention is a large part of membership development. As a result, you spend a substantial amount of time planning and preparing for the convention for your member clubs each year. You state that, "with more than x member clubs, the annual convention is the only opportunity for X to assemble all members of the X family for purposes of training members to promote the development of young people." You further explain that members are presented with new exciting methods of promoting the X mission in their respective communities and that fundraising seminars are conducted so member clubs can achieve greater fundraising success.

According to the detailed itinerary, the convention consisted of workshops, training sessions, and social activities that include breakfasts, luncheons, dinners, and receptions with spouses. You represent that the back to school workshops were optional for all attendees and provided an opportunity for personal development. Various mandatory training sessions were held for members who served as club officers to provide those members with the knowledge and skills necessary to carry out their specific duties. Also, you conducted two business sessions as part of your curriculum. You further represent that, in addition to the workshops and training sessions available at the convention, there were other activities, such as an orientation, which you described as "a casual reception provided the prime opportunity to meet past international presidents, make new friends, and learn about the convention" and the foundation president's breakfast. You provided a youth program-get acquainted party described as an evening of fun, games and refreshments. You hosted a foundation's gala, pre-concert reception, and an evening of entertainment. On the last day, you held a youth activity-farewell party, international president's banquet, and international president's ball.

The total revenue for the 20 -20 convention was \$ and total expenses were \$ Some of the largest expenses during the convention were: \$ for the president's banquet; \$ for an appreciation luncheon; \$ for an old timer's breakfast; and \$ for entertainment in which you state the majority of that expense was for a concert for all attendees. Approximately percent of your overall expenses for the 20 -20 convention accounted for these types of activities.

You did not provide copies of any training materials, curriculum, and/or other handouts used in any of the workshops that you represented were conducted at your annual convention.

Marketing and other Public Information

Your Internet site includes information for your subordinate organizations, their members, and the general public. For example, in an article on your website titled "International Board to Present Organization Renewal Plan to Delegates," you stated that "under the revised renewed

plan, clubs will continue to function exactly as they do today. They will continue to provide programs and activities to the youth of their communities, provide leadership opportunities to members and enhance social networking." In fact, according to the F's website, "B gains leadership experience, and grows both personally and professionally. B values the social and business relationships they develop with like-minded individuals in their community."

Your website contains downloadable publications that your member clubs can use in club administration, including a diagram of a model club, which is structured to contain committees for new club building, club director of personal growth, and fellowship and social functions. Other recommended committees include: membership, program, finance, youth clubs, community service programs, and publicity. Section 6, Article V of your Bylaws provide that the International Board of Directors shall establish operating committees, such as youth activities, membership, attendance, new clubs, club services, and international development as well as administrative, convention, pension, and junior golf committees.

In another document on your website, you describe the functions of the fellowship committee. This committee "stimulates fellowship at club meetings, sends cards or flowers to members and their families on significant occasions, strives to extend fellowship beyond club and community and plans a well-rounded program of social functions; a special committee conducts each social activity." Also on your website is a publication that advertises a B vacation, including golfing, lunch and dinner cruises, music, and shopping.

In one of your brochures, you state that "B club members receive as much as they give" including "the fellowship of people who get things done—and the example they set for embracing a similar V attitude;" and "new social and working relationships with individuals from a cross section of our communities."

You also provided us with a copy of your electronic newsletter that is published every other month and emailed to all B clubs and other B volunteers. The newsletter contains an advertisement encouraging travel with other B on a southwest tour for 15 days as well as an advertisement for a fundraising cruise for the kids.

Finally, you were asked to provide a more detailed description of the specific topics that are discussed at training events as well as copies of agendas or class schedules detailing the specific topics discussed in each area. In response, you addressed the financial management aspect, stating that "the financial management benefit relates to X, the parent, provided financial training to representatives of member clubs, so that member clubs can maximize their financial resources in achieving their exempt purposes." You did not provide materials given to participants in the workshops and also failed to provide copies of training materials used by instructors, and/or other class schedules/agendas or other training materials.

Subordinate Organizations

To determine whether you, as the parent, qualify for exemption you were asked to provide more detailed information on the activities of a representative sample of subordinate clubs. You state that you rely heavily on your member clubs to conduct your charitable and educational outreach programs and that "such activities would never occur but for the organizational, promotional and coordination efforts you provide."

We have secured information on behalf of the following thirteen representative subordinate clubs:

- G
- H
- I
- J
- K
- L
- M
- N
- O
- P
- Q
- R
- S

A summary of the information submitted, including websites, narrative information, and meeting minutes is set forth below. Furthermore, each of the member clubs submitted Articles of Amendment stating the purposes for which they are organized as follows:

The Corporation is organized exclusively for charitable and educational purposes set forth in Section 501(c)(3) of the Internal Revenue Code of 1986, as now in effect on or as may be amended (the "Code"). Without limiting the generality of the foregoing, the purposes for which the Corporation is organized and will be operated include, but are not limited to, promoting an active interest in good government and civic affairs, inspiring respect for law, promoting patriotism and working for international accord and friendship among all people, and aiding and encouraging the development of youth. Nothing herein shall be construed to give the Corporation any purpose that is not permitted under Section 501(c)(3) of the Code and the D Nonprofit Corporation Act (the "Act").

You explained the social and recreational activities conducted by your subordinates by stating that "as nearly all X member clubs rely exclusively on volunteers to provide services to achieve their charitable and educational goals, if the club cannot offer its volunteers some degree of camaraderie and/or fun in return for these needed services, the club will have great difficulty in

obtaining necessary volunteer support.” You state that “any tax exempt organization must establish a sense of community or bonding among its existing members and continually recruit new members, or the organization is destined for failure.”

G: G holds executive meetings once a month at a local bakery and weekly meetings at a local community center. Meetings are open to members and guests. It conducted several fundraising events, such as a chili dinner, magic show, golf outing, fish derby, and packer raffles. The organization represented that the purpose of the fundraisers are to raise funds for scholarship programs. Some of its other activities include an Independence Day parade, tri-star baseball for children, Junior Miss with scholarship award, essay contest, and leaf raking for seniors.

The club provided a copy of its newsletter that states: “are you interested in...developing new social and working relationships with individuals from a cross section in our community? Demonstrating and developing your leadership skills? Having fun with people who share your interest in our youth?” Social activities included a Christmas party, installation dinner, picnic, and other social events. In its meeting minutes, the organization stated that 75 members and guests attended the picnic.

The organization also submitted a copy of a brochure in which it states: “B club members receive as much as they give” including “the fellowship of people who get things done—and the example they set for embracing a similar V mindset. New social and working relationships with individuals from a cross section of our community. The opportunity to develop and demonstrate leadership skills locally, regionally, nationally, and internationally. And the satisfaction of making a difference in lives of children as well as our community.”

H: H holds once a month board meetings and twice monthly dinner meetings. A newsletter provided by the organization states that club meetings are held on the & of each month. “...Social @6pm Dinner @ Board Meetings is First of month @ .” The calendar submitted for of 20 , for example, listed a total of meetings. One meeting was a board meeting, meetings were characterized as dinner meeting social, another was the installation banquet, and the other meeting was described as a “race party at the club house 6pm. Covered dish.”

In addition to the dinners and parties, the club holds social events such as a super bowl party, Valentine’s Day dinner, and seafood appreciation dinner. The board meeting minutes stated that ”

.” Furthermore, in other meeting minutes, the organization thanked individuals for preparing the great seafood member appreciation dinner. people were in attendance and remarked that the super bowl party held at the club building was a great success and there was a lot of family fellowship.

The club also organized a day trip to an island in the area. The club's newsletter describes the trip as follows:

On Saturday August at 7:30 AM forty-eight hardy souls led by chairman...departed...for a day trip to [a local island]. Blessed by beautiful weather the trip turned out to be both fun and very interesting. Our bus arrived...and we then boarded...for a ride to the Island. After a pleasant ride supported by a few adult beverages and a lot of camaraderie, the group arrived at [the island] at 11:30. Here a guide met us and led us to [a restaurant] for a fantastic all you could eat lunch.... After lunch there was time for touring the island, visiting gift shops etc before boarding the ferry for the return to...and reloading of the bus. . . .All in all it was a great and enjoyable trip. Our thanks to...for his efforts in organizing this day for our members to get together and enjoy each others company.

The organization conducted several fundraising activities, such as a BBQ fundraiser, Christmas tree sales, a stew fundraiser, shrimp feast, and golf tournament. It states that the fundraisers' purpose was to raise funds for its charitable and educational causes, such as paying for youth tournaments, youth appreciation week, youth sports tournaments, oratorical contest, and achievement in educational program.

I: According to the organization's newsletter, I holds monthly meetings on the 1st and 3rd Thursday of each month at a local restaurant. Its financial records show that, for each month beginning Jan. -Sept. , the club spent anywhere from \$ - \$ per meeting on meals for members. Its other expenditures included dues and other payments to X as well as expenditures for medallions, t-shirts, and other prizes for its youth activities. Moreover, the club held a marching band festival, spring band concerts, essay contest, Santa calling, and special olympics. I raises funds through several fundraising activities including raffles.

J: J's activities include: red ribbon week, essay and oratorical contests, Santa visits, Easter party at a cottage, student of the month, and junior world golf tournament. It also holds monthly dinner meetings with a guest speaker. Members paid for their own meals, and speakers from the community discussed a range of topics. According to its agenda, there was an introduction and explanation to members about a ten step program for personal growth. The agenda maintains that, after completing the program, individuals are better B and have gained skills to assist others in their communities.

K: K holds monthly board meetings, but did not conduct lunch or dinner meetings for members. The club participated in two primary fundraising events: a golf outing at a country club and a comedy night at a high school. Some of the other club activities include: youth connection holiday gift donation, bell ringing for Salvation Army, oratorical contest, youth appreciation, fishing derby, safety booklets, bike decoration and bike safety, and "tridge" trot (youth fitness).

In one of the organization's brochures, it states that "the programs and guest speakers offer the members an opportunity to learn, grow, and improve themselves." The club listed several social and/or recreational activities on its website including K golf outing and a baseball game outing. You explained that K golf outing ". . . served as a fundraiser for the club, as well as a member solicitation event. The event was open to the public and approximately hours of volunteer time was spent in the activity." In that same letter, you described the baseball game outing as a ". . . social event among members of the club, but also served as an event to encourage new members to join. K's name was posted on the scoreboard at the stadium for advertisement for new members. Volunteer hours were less than 10."

L: L met on a weekly basis and the weekly meeting was open to members and guests. The club holds once monthly board meetings. It filed Articles of Amendment containing 501(c)(3) language; however, one of the other purposes listed in its Articles of Incorporation is:

To encourage the use of the Golden Rule in all human relationships; to strengthen the individual through the pursuit of high ideals and to tighten the bonds of fellowship among all men; to exchange ideas, methods, information and business counties between members; to engage in any and all activities such as are carried on by clubs known and designated as "service clubs;" to cooperate with other organizations in the carrying out of any objective or purpose of this corporation.

The organization conducted several very large fundraisers, such as the W fun day, a car show, and air races and RV park where it raised \$. In describing the air races and RV park fundraiser, the club said that "over the years the RV park has assumed a greater significance than a mere fundraiser effort. Each year our members look forward to your stay with us. Your visits are very enjoyable events. For us, it is a time of renewing old acquaintances and making new friends."

The club sponsors two Boy Scout troops, conducts essay and oratorical contests, partner in education program, a Christmas party, respect for law, challenger little league, and a scholarship program.

M: M conducts the following activities: dress a child, hotline to Santa, family safety day, oratorical contest, respect for law banquet, Boy Scout troop sponsorship, high school rodeo sponsorship, and a festival of lights. It also held weekly Friday lunch meetings. The meetings lasted an hour and included a presentation by a speaker, a raffle, and a meal in which each member paid \$. Its profit and loss statement for - showed that it conducted two major fundraisers...dress a child and B day.

In its brochure, the club states that, while it does support local charities and other organizations that are centered on children, it is also "not just about community service though. We also like to have fun. Our meetings Friday at lunch can become raucous and irreverent. We enjoy our

installation banquet each fall; our Christmas parties; and our times when we just get together to be with friends.”

N: N holds weekly lunch time meetings with various speakers. The club described its meetings as a gathering of friends, informative guest speakers, and social activities such as seasonal activities, golf tournament fundraiser, bowl-a-thon fundraiser. The club held two primary fundraising activities: “friends of youth” golf tournament and bowl-a-thon. It described its bowl-a-thon as follows: “it’s a party...and it’s a fundraiser. Just as in our previous bowl-a-thons, we will have some really great prizes to registered members who are most successful in raising money for the club’s community service work.”

In an edition of its newsletter under the heading, “V Opportunities,” the organization lists upcoming social events for its members:

- Let’s see the [city’s basketball team]: I have a call into the [city’s basketball team] for a group rate for these 2 games—let’s discuss which one you would like to attend and we will pick one for B Night... 3/10 is...3/17 is... A night at the theatre: This is the...premiere of the best selling book by.... I have reserved 20 tickets for the group price of \$18.38 each, but I must confirm them by Feb. th. If we get a group together, we can plan to meet for dinner before the show. This is a delightful theater, very intimate! They also have a fabulous... museum to visit during intermission.

Another issue of the newsletter describes a symphony night as season finale week and B night at the symphony...Special rate of \$...Music Director...brings the [symphony] season to an inspiring conclusion with odes and celebrations with post-concert discussion. The club has service committees for the following activities that it conducts: essay contest, slam dunk for life, scholarship luncheon, vocational scholarship, a memorial and other scholarships, oratorical contest, childhood cancer, campus bike award, gold youth leadership seminar, citywide bike rodeo, and annual installation banquet.

The club also provided a description of its internal operations committees, as follows:

- Weekly Programs and Speakers: Arrange for appropriate speakers on varied and timely topics.
- Fellowship—Sign In Table/Weekly Meeting Greeters
- New Member Recruiting/Orientation/Integration: Organize a program that will enroll new members all year round. Encourage individual responsibility in getting new members. See that new members have adequate introduction to Optimism. Make sure they are being absorbed into the club.
- Cheer-Check on ill or shut-in members; bring greeting cards for members to sign when appropriate.
- Membership Directory

- Parties/Socials: Plans any social events the club desires, such as Christmas holiday party, attendance at sports events, family picnic, etc. All social events must be self-supporting.

Q: According to its Form 990-EZ, the Q's primary purpose is to support youth and community service activities. The activities conducted by the club include: a program for special abilities seniors, road clean-up, providing cultural and recreational opportunities for residents at a group home who come from dysfunctional family backgrounds, an annual event where members assist in giving handicapped children an opportunity to fly in a small airplane, kids news day, Christmas dinners for needy military families, student appreciation, scholastic awards, oratorical contest, essay contest, tutoring, and melodrama. It conducted several large events described as fundraisers, including craft shows, football fun, and golf and basketball tournaments.

The club provided social activities for its members including: pancake breakfasts, past presidents new years breakfast, chili cook-off, movie night, kettle corn, St. Patrick's dinners, St. Valentine's party, and an installation brunch. Its St. Patrick's and Valentine's Day dinners/parties are described by the club as "primarily a fun social gathering of members, spouses, and invited guests." The club regularly holds a movie night for its members. The club uses the community room, serves hot dogs, chili, popcorn, and soft drinks and invites anyone interested, at no charge. The calendar of events listed 11 movie nights. The morning meeting minutes states that one of the members has extra tickets for a museum tour.

It also holds breakfast meetings once a week for members and guests and monthly Board of Director meetings. Other meetings contained a reminder regarding an upcoming meeting: "Don't forget! Next Thursday's meeting will be an evening BYO BBQ @ 6pm. So bring your own entrée to BBQ—corn on the cob, 3 salads, 3 deserts and beverages will be provided—all for only \$6."

The club has 18 internal VP committees, including committees for casino night, Christmas pot-luck dinner, clubhouse building, craft fairs, fellowship, membership, movie night, pasta night, personal growth program, St. Patrick's Day dinner, and Valentine's Day dinner.

P: P's website states that one meeting per month is a social event, and that "this event is different each month. We try to find a different place to visit as a group. From time to time, we may invite a guest speaker to talk about youth, a youth program or some interesting topic about our community. This allows for fun and fellowship and we will most likely have something good to eat here." You explain that "the meeting was designed to encourage recruitment of new members [and] . . . that "any organization whose purposes involve reaching out to youth, must encourage social interaction among its members, so those members will be able to successfully reach out to a younger generation."

Q: Q stated on its website that "whether you're searching for an outlet to help your community, personal development, or regarding camaraderie and fellowship, you will find what you're looking for at Q." The website further states that "although the members of Q come from all

walks of life, we have one thing in common—we know we can make a difference. We also know that as B we receive as much as we give through (1) the fellowship, camaraderie and good humor we experience at our Friday morning meetings; and (2) new social and business relationships with people from a cross section of our community.” One meeting per month was described as “Camaraderie Day” and the website provided a list of fun times including:

- Wives/children/grandchildren to breakfast: Each year we try to have a special program for our wives/children/grandchildren at breakfast during Christmas vacation. Entertainment provided at meeting.
- Honeymoon Weekend: Each year in _____, many members and their wives/significant others gather in a fun...vacation spot for a weekend of “honeymooning.” Golf, shared fun at mealtimes and activities, and a wide range of activities, or just relaxing, make this a standout time and most enjoyable weekend... Holiday Party: _____ puts on a holiday party after the Christmas tree lot closes. This event is usually at..., and is a fun way to meet new members and spouses and have a great time with music, dancing and good food and libations.
- Summer Picnic: In late summer Q puts on a summer picnic for members and their families. Usually try to coordinate this with a concert in the park sponsored by the City of... The club provides a barbeque and drinks. Golf event: Each May, the duffers get together and play a 9 hole par 3 course using only a putter and one other club. We invite wives, friends and have prizes and a picnic afterwards. We also have numerous other golf outings during the summer, including couples golf.
- Bridge Group: A monthly group plays couples bridge, hosted in rotation at the participant’s house. Join this fun activity as a great way to meet and compete with other members of the club.
- Western Dance: Each year a square dance is organized to keep us swinging and fit. Join this great activity as a fun way to socialize with members and have a rousing good time. Also, it is a great way to bring guests to introduce them to club members and encourage them to join.

Q’s newsletter described a day at the ballpark as follows. “...the club will have a fundraiser, handing out free jerseys at the...game against a [rival team]. There are only 5000 jerseys available, so we won’t have to work long and can then attend the game for free. The newsletter further described the Honeymoon Weekend as “a premium private accommodation . . .;” and another edition described the events that took place at the Honeymoon Weekend that was attended by 25 couples. Such activities included fishing, shopping, golf, hiking, pontoon boat rides, a two hour cruise, cocktail party, Saturday dinner and Sunday brunch.

When asked to explain the purpose of the honeymoon weekend, you stated that “this was not a formal activity of the club. This social function, to the extent members elect to participate, strengthened the bond of members to the organization.” You explained that the golf and bridge groups were likewise not a formal club activity. You stated that the golf event was merely a

group of members getting together to encourage member interaction and to assist recruitment of new members. You explained that the holiday party, summer picnic and western dance were designed to encourage member recruitment and member interaction.

R: R's website states that, in addition to its community service activities, "we also enjoy social events throughout the year, which include our annual installations banquet, club Christmas party, Las Vegas night and super bowl party. As B, we share the bond of fellowship, enthusiasm and faith in the future!" Vegas Night is described as a night of gambling, camaraderie and a few liquid refreshments. The Club Christmas party is a "Christmas social for club members and their families..." and the super bowl social is a "social activity held at a local establishment for adult club members and adult guests for dinner and beverages and the football game." You explained that the purpose of Vegas Night was primarily designed as a member recruiting device, in addition to serving as a fundraiser for the club.

S: S stated on its website that "besides helping kids, we also take time to have some FUN for ourselves, including picnics, project pizza parties, and a Christmas/dinner party." The website further states that "our guest speaker program enables us to learn about...community youth programs; local services, important events, unusual occupations and professions, and interesting public issues...while enjoying good fellowship and good food." The club's website describes field trips that the club regularly takes: "They say that variety is the spice of life. Well, we provide that spice by periodically going on field trips in place of a regular Club meeting. In the past, we have gone on a tour of the downtown fire station, visited a local museum, toured

the remodeled YMCA, had an outside meeting at the...gardens, and toured a remodeled [hotel]."

Law

Section 501(a) of the Code provides that organizations described in section 501(c) shall be exempt under this subtitle.

Section 501(c)(3) of the Code exempts from Federal income tax corporations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international 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 its net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office..

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that, in order for an organization to be exempt under section 501(c)(3) of the Code, it 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 or operational test, it is not exempt.

Sections 1.501(c)(3)-1(b)(1)(i) and 1.501(c)(3)-1(b)(4) of the regulations provide that in order for an organization to be organized exclusively for one or more 501(c)(3) exempt purposes only if its creating document:

- Limits the purposes of such organizations to one or more exempt purposes,
- Does not expressly empower the organization to engage, other than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes, and
- Permanently dedicates the organization's assets to 501(c)(3) purposes on dissolution.

Section 1.501(c)(3)-1(b)(1)(iv) of the regulations provides that in no case shall an organization be considered to be organized exclusively for one, or more exempt purposes, if, by the terms of its articles, the purposes for which such organization is created are broader than the purposes specified in section 501(c)(3).

Section 1.501(c)(3)-1(c)(1) of the regulations 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 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.

Section 501(c)(4) of the Code exempts from Federal income tax civic organizations not organized for profit but operated exclusively for the promotion of social welfare is exempt from Federal income tax.

Section 1.501(c)(4)-1 of the regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

Section 1.501(c)(4)-1(a)(2)(ii) of the regulations provides that an organization will not qualify for exemption as a civic organization described in section 501(c)(4) of the Code if its primary activity is the operation of a social club.

Rev. Proc. 80-27, 1980-1 CB 677 sets forth procedures under which recognition of exemption from Federal income tax under section 501(c) of the Internal Revenue Code may be obtained on a group basis for subordinate organizations affiliated with and under the general supervision or control of a central organization. This procedure relieves each of the subordinate organizations covered by a group exemption letter from filing its own application for recognition of exemption. The central organization applying for a group exemption letter must obtain recognition of its own exempt status.

Rev. Rul. 65-195, 1965-2 C.B. 164 held that a junior chamber of commerce operated exclusively for the purpose of rendering civic services for the promotion of the welfare of the community and its citizens is exempt under section 501(c)(4) of the Code. The facts showed that the organization was primarily engaged in bringing about civic betterments and social improvements by its activities on behalf of youth, community benefit programs, and community leadership training. These youth activities consisted, in part, of free instruction in sports and the organization of contests, and conducted other projects for the youth of the community. In addition to its youth programs, the organization conducted numerous other programs for the benefit of the community at large, including improvement of health and safety, conservation, city beautification, promotion of patriotism, and entertainment at hospitals and veterans homes. The organization also conducted training designed to teach techniques of effective public speaking, and in the rules of parliamentary procedure.

Rev. Rul. 66-179, 1966-1 C.B. 139 describes situations under which garden clubs may qualify for exemption under section 501 of the Code. Situation 1 describes an organization that is incorporated as a nonprofit organization to instruct the public on horticultural subjects and stimulating interest in the beautification of the geographic area. In furtherance of these purposes, the organization (1) maintains and operates a free library of materials on horticulture and allied subjects; (2) instructs the public on correct gardening procedures and conservation of trees and plants by means of radio, television, and lecture programs; (3) holds public flower shows of a noncommercial nature at which new varieties of plants and flowers are exhibited; (4) makes awards to children for achievements in gardening; (5) encourages roadside beautification and civic planting; and (6) makes awards for civic achievement in conservation and horticulture. Situation 2 described an organization with the same facts as described in Situation 1 except that a substantial part of the organization's activities, but not its primary activity, consists of social functions for the benefit, pleasure, and recreation of its members.

The organization in Situation 1 is organized and operated exclusively for charitable and educational purposes and qualifies for exemption under section 501(c)(3) of the Code. The facts in Situation 2 are distinguishable from those in Situation 1 in that the organization in Situation 2 conducts substantial social functions not in furtherance of any of the purposes specified in section 501(c)(3). Accordingly, the organization does not qualify for exemption under section 501(c)(3). However, because the organization is operated primarily to bring about civic betterment and social improvements and the social functions for the benefit, pleasure and recreation of the members do not constitute its primary activity, the organization qualifies for exemption under section 501(c)(4).

Rev. Rul. 68-72, 1968-1 C.B. 250 described an organization formed by a group of churches to operate a coffee house for the purposes of holding discussions on religion, current events, and social problems, and to provide young adults personal counseling on social and vocational problems. Refreshments and entertainment were made available, and a nominal admission fee was charged. The revenue ruling concluded that the social aspects of the organization's activities were merely incidental to and in furtherance of its purposes. Accordingly, the organization is exempt from Federal income tax under section 501(c)(3) of the Code.

Rev. Rul. 68-118, 1968-1 C.B. 261, 1968 provides a nonprofit organization that stimulates the interest of youth in the community in organization sports qualifies for exemption under section 501(c)(4) of the Code. The primary activity of the organization was to furnish free admission to professional sporting events to boys and girls in the community 16 years of age or younger. The organization also awarded prizes such as trips to sporting events for various essay contests. The Service ruled that the organization was providing wholesome entertainment for the social improvement and welfare of the youths of the community that promotes the common good and general welfare of the people of the community.

Rev. Rul. 69-384 provides that a nonprofit organization created for the primary purpose of maintaining an amateur baseball association and conducting amateur baseball games among its members' teams is exempt under section 501(c)(4) of the Code. The Service ruled that, by helping to develop good sportsmanship, high character, and the physical well-being of young adults through the operation of an amateur baseball league, the organization was promoting the common good and general welfare of the people of the community.

Rev. Rul. 69-573, 1969-2 C.B. 125 provides that a fraternity that maintains a chapter house for active members who are students of the school is not exempt under section 501(c)(3) of the Code but is exempt under section 501(c)(7). Although the typical college fraternity does in some degree contribute to the cultural and educational growth of its members during their student years, it was not its primary purpose. The fraternity was determined to be primarily a social club in that its major functions were to provide a meeting place for its members, living quarters for many of them, the place where their meals were served, and the headquarters for their entertainment.

Rev. Rul. 70-4, 1970 1-C.B. 126 provides exemption under section 501(c)(4) of the Code to an organization engaged in promoting and regulating a sport for amateurs. The organization's primary activities are directed toward reviving and promoting a sport by circulating printed material about the sport, by conducting exhibitions to introduce the sport to the public, by conducting tournaments, and by giving occasional instructive clinics. The organization also sets the standards for the equipment to be used, establishes the official rules of the games, and prescribes the official size of the playing area. By promoting and regulating a sport for amateurs, the Service ruled that the organization is providing wholesome activity and entertainment for the social improvement and welfare of the community which promotes the common good and general welfare of the people of the community.

Rev. Rul. 73-439, 1973-2 C.B. 176 held as non-exempt under section 501(c)(3) a discussion group that held closed meetings at which personally oriented speeches were given followed by the serving of food and other refreshments. Each meeting was conducted as to encourage personal contact and fellowship among members. The topic discussed by the faculty guest speakers did not necessarily reflect their particular areas of academic expertise. It was concluded that there was no evidence that the topics discussed fell within any particular field of inquiry nor did the discussions communicate any organized body of knowledge or information

that would develop or improve the individual capabilities of the participants to a significant extent or result in any public benefit. The meetings were more akin to the socializing that takes place at meetings of fraternal and professional clubs.

Rev. Rul. 75-386 provides that a nonprofit organization formed for the purpose of promoting the common good and general welfare of the residents of a community and which carries on activities in the general areas of public safety and crime prevention, housing and community development, recreation, and community services, qualifies for exemption under section 501(c)(4) of the Code. With regard to its recreational activities, the organization held various holiday programs for local residents and sponsored a community basketball league.

Rev. Rul 77-366, 1977-2, C.B. 192 provides that a nonprofit organization that arranges and conducts winter-time ocean cruises during which activities to further religious and educational purposes are provided in addition to extensive social and recreational activities is not operated exclusively for exempt purposes and does not qualify for exemption under section 501(c)(3). The organization accomplished both charitable and non-charitable purposes through its cruises.

Rev. Rul. 77-430, 1977-2 CB 194 provides exemption under section 501(c)(3) of the Code to an organization that was formed to conduct weekend religious retreats that were open to the public. The retreats were conducted at a rural lakeshore site that offered recreational opportunities for attendees. The Service ruled that the use of facilities for recreational purposes was incidental to the organization's religious purpose.

Better Business Bureau v. United States, 326 U.S. 278 (1945); Stevens Bros. Foundation, Inc. v. Commissioner, 324 F.2d 633 (8th Cir. 1963), aff'g. 39 T.C. 93 (1962), cert. denied, 376 U.S. 969 (1964). An organization is not operated exclusively for charitable purposes, and thus will not qualify for exemption under section 501(c)(3), if it has a single non-charitable purpose that is substantial in nature. This is true regardless of the number or importance of the organization's charitable purposes.

In Phinney v. Dougherty, 307 F.2d 357 (5th Cir. 1962), the court of appeals held that a gift to a fund to acquire and maintain a chapter house for a fraternity did not qualify for exemption as a charitable and educational organization within the meaning of section 501(c)(3) of the Code. The court reasoned that, while this activity furthered educational purposes, it also furthered social purposes; and thus, the organization did not operate exclusively for section 501(c)(3) purposes, and did not qualify for exemption under section 501(c)(3).

In First Libertarian Church v. Commissioner of Internal Revenue, 74 T.C. 396 (1980), the Court stated that the church failed to show that it successfully segregated the clearly social and political aspects of its supper club meetings and its publication from its purpose to further the doctrine of ethical egoism. As the church operated for social and political purposes to more than an insubstantial degree, it fails to qualify for exemption under section 501(c)(3) of the Code. The court stated that an organization will not qualify for exemption if a non-exempt activity is more than an insubstantial part of its overall activities or if an activity has more than an

insubstantial non-exempt purpose. The court explained that “clearly the regulations and cases contemplate that a single activity may be carried on for more than one purpose. If a substantial secondary purpose is not an exempt one, qualification under section 501(c)(3) will be denied.”

In The Schoger Foundation v. Commissioner of Internal Revenue, 76 T.C. 380 (1981), the Court stated that the Foundation is a not-for-profit corporation that owns and operates a mountain lodge that it characterizes as a religious retreat facility. The Lodge makes available to its guests numerous activities, religious, recreational, and social, none of which are regularly scheduled or required. The religious activities revolve around individual prayer and contemplation, with optional daily devotions and occasional Sunday services available to the guests. The recreational and social activities are those of the usual vacation resort. The record does not show the extent to which the guests participated in any of the activities, religious or otherwise. The Court held that the Foundation has not met its burden to establish that it was operated exclusively for religious or other exempt purposes within the meaning of section 501(c)(3) of the Code.

In St. Louis Science Fiction Limited v. Commissioner, 49 TCM 1126, 1985-162, the Tax Court held that a science fiction society failed to qualify for tax-exempt status under section 501(c)(3) of the Code. Although many of the organization’s functions at its annual conventions (the organization’s principal activity) were educational, its overall agenda was not exclusively educational. A substantial portion of convention affairs were social and recreational in nature.

In Manning Association v. Commissioner of Internal Revenue, 93 T.C. 596 (1989) the court found that an association that was operated for exempt educational activities, based largely upon a historic Manning homestead and historic artifacts, was not exempt under section 501(c)(3) of the Code because the Association’s operations were also conducted for the benefit of members of the Manning family, a nonexempt purpose that was found to be substantial in nature. The court stated that “even in the presence of some activities that were truly motivated by exempt purposes, the concomitant presence of substantial non-exempt purposes destroy[ed] the exemption.”

Analysis

Based on the information you submitted, and for the reasons explained below, we have concluded that you are not operated exclusively for one or more tax-exempt purposes within the meaning of section 501(c)(3) of the Code. We have also concluded that more than an insubstantial part of your activities is not in furtherance of an exempt purpose under section 1.501(c)(3)-1(c)(1) of the Regulations.

You are currently classified as an organization exempt under section 501(c)(4) of the Code, but have submitted a Form 1023 application seeking recognition under section 501(c)(3) of the Code. Organizations exempt under (c)(4) are generally allowed greater latitude than that allowed to organizations exempt under (c)(3). Under 501(c)(3), an organization must show that

it is organized and operated exclusively for tax-exempt purposes. However, under section 1.501(c)(4)-1(a)(2)(i) of the regulations, a section 501(c)(4) organization must demonstrate that its activities primarily benefit the community as a whole. Thus, the (c)(4) organization may have more than an incidental amount of social, or other non-exempt activities, and still qualify for exemption, as long as those activities are not primary. However, those same activities, if more than insubstantial, will disqualify the organization from tax exemption under section 501(c)(3).

Operational Test

Although you do conduct charitable and educational activities, you have failed to show that you are operated exclusively for one or more tax-exempt purposes as required by sections 501(c)(3) of the Code. Although you have revised your governing documents to include 501(c)(3) language, you have not shown that you have actually changed operations such that you would qualify as an organization described within the meaning of section 501(c)(3).

More than Insubstantial Non-Exempt Purpose

Although an organization may carry on activities that further one or more tax-exempt purposes, it will not be treated as operated exclusively for an exempt purpose if it has a single non-charitable purpose that is substantial in nature. See Better Business Bureau of Washington, D.C., Inc., supra. Furthermore, a more than insubstantial social purpose will defeat exemption under section 501(c)(3) of the Code. See First Libertarian Church v. Commissioner of Internal Revenue, supra (church that operated for social and political purposes to more than an insubstantial degree failed to qualify for exemption under 501(c)(3)); See Rev. Rul. 73-439, supra (non-exempt discussion group held meetings that were more akin to socializing that takes place at meetings of fraternal and professional clubs); See Rev. Rul. 77-366, supra (winter cruise with religious and educational purposes, as well as social and recreational activities, not exempt under (c)(3)); and See Rev. Rul. 66-179, supra (garden club that conducts substantial social functions not exempt under (c)(3)).

To determine whether you further an exclusively tax-exempt purpose within the meaning of 501(c)(3), we looked at your internal structure, marketing and annual convention, and the purpose and manner in which your subordinates operate.

a. Internal Structure

Your internal structure evidences intent to make social networking and club building more than an insubstantial feature of your operations. You represent that twenty-five percent of your activities involve recruiting new members through your growth and development programs. For example, your bylaws provide that there shall be internal committees for fellowship and special committees for social functions as well as committees for new clubs, club services, membership, attendance, and international development. In a club organization manual on your website, you state that one of the purposes of the fellowship committee is to “plan a well rounded program of social functions.” You state that one of your benefits is fellowship, which “by the very nature of our Club structure you have others within the community to associate with like-minded people.”

Your website also provides a diagram for a model club, which would be structured to contain committees for new club building, club director of personal growth, fellowship and social functions.

Many of your subordinates have established similar types of internal operating committees, such as N's fellowship, new member recruiting and orientation integration, and parties and socials committees. Q, for example, has committees for casino night, Christmas pot-luck dinner, clubhouse building, craft fairs, fellowship, membership, movie night, pasta night, personal growth program, St. Patrick's Day dinner, and Valentine's Day dinner. You are unlike the organization described in Rev. Rul. 68-72, supra, because a substantial part of you and your subordinates club structure is devoted to planning and carrying out activities that do not further an exempt purpose. Although you and many of your subordinate clubs also have committees for such activities as membership, program, finance, youth clubs, community service programs, and publicity, which are established to further a tax-exempt social welfare purpose, your internal operations are also structured to further a social purpose that is more than insubstantial; therefore, you are not operated for exclusively tax-exempt purposes under section 501(c)(3) of the Code. See Better Business Bureau of Washington, D.C., Inc., supra. See also, First Libertarian Church v. Commissioner of Internal Revenue, supra.

b. Marketing and Convention

Your marketing and public affairs information show that you are engaged in more than insubstantial social and networking activities in contravention of section 501(c)(3) of the Code. For example, in one of your brochures, you state that "B receives as much as they give" including "the fellowship of people who get things done—and . . . New social and working relationships with individuals from a cross section of our community." Furthermore, in an article to your member clubs concerning a reorganization plan, you reassure the clubs that they "will continue to provide programs and activities to the youth of their communities, provide leadership opportunities to members and enhance social networking." In fact, in your monthly newsletter that is mailed to all B clubs and other B volunteers, you included advertisements encouraging travel tours with other B members as well as a fundraising cruise for kids.

According to F, a related 501(c)(3) organization, "B gain leadership experience, grow both personally and professionally. B value the social and business relationships they develop with like minded individuals in their communities."

Unlike the organizations described in Rev. Rul 77-430 and Rev. Rul. 68-72, supra, you failed to show that your social and recreational purposes are merely incidental to your exempt charitable purpose. Through your marketing and outreach efforts, you signal that social and networking activities are key to your operations. See also, First Libertarian Church v. Commissioner of Internal Revenue, supra in which the church operated for social and political purposes to more than an insubstantial degree, and therefore, failed to qualify for exemption under section 501(c)(3) of the Code.

As part of your marketing and club/membership development, you also hold an annual convention. In doing so, you spend a substantial amount of time planning and preparing for it. At the convention, you offer mandatory training sessions for members who are club officers. The training is intended to enhance the members' knowledge and skills to carry out their duties as a club officer. In addition to the training sessions for club officers, the convention provides a great deal of social activities that include breakfasts, luncheons, dinners, and receptions with spouses. You also provide activities such as an orientation, which you described as "a casual reception provided the prime opportunity to meet past international presidents, make new friends, and learn about the convention." You also provide back to school workshops that you described as providing "many exciting opportunities to enhance attendees' personal selves." You provide a youth program-get acquainted party and evening of fun, games and refreshments. You host a foundations gala, pre-concert reception and an evening of entertainment. On the last day, you held a youth activity-farewell party, international presidents banquet and ball. These activities are predominately social in nature and comprise a more than insubstantial portion of your overall activities. In fact, approximately 30 percent of your overall expenses for the 2006-2007 convention accounted for social activities. When given the opportunity, you failed to provide any copies of training materials, curriculum, or other handouts at the workshops that you represented were used at your convention. You also failed to provide copies of class schedules or agendas. See Schoger Foundation v. Commissioner, *supra*, in which the court found that a religious retreat facility had not met its burden to establish that it was operated exclusively for religious or other exempt purposes within the meaning of section 501(c)(3) of the Code.

You are like the organization described St. Louis Science Fiction Limited v. Commissioner, *supra*, because your overall convention agenda is not exclusively educational, and in fact, a substantial portion of the convention affairs are social and recreational in nature. You are unlike the organization described in Rev. Rul. 68-72, *supra*, in which it was concluded that the social aspects were merely incidental to its overall tax-exempt purposes. Although you may be motivated to provide some training and education at the convention as you represented, you are also motivated by a non-exempt purpose to enhance the social relationships of your members by providing fellowship and social activities. See Manning Association v. Commissioner of Internal Revenue, *supra* ("even in the presence of some activities that were truly motivated by exempt purposes, the concomitant presence of substantial non-exempt purposes destroy[ed] exemption.")

c. Subordinate Clubs

A central organization applying for a group exemption letter must obtain recognition of its own exempt status. It must also establish that the subordinates to be included in the group exemption letter are affiliated with it and subject to its general supervision or control. See Rev. Proc. 80-27, *supra*.

As the central/parent organization, you are required to provide general supervision or control over your subordinates. You further your purposes through them. In fact, you state that you rely heavily on your member clubs to conduct your charitable and educational outreach programs and admit that "such activities would never occur but for the organizational,

promotional and coordination efforts you provide.” However, your subordinates operate for more than an insubstantial non-exempt social purpose. Because you further your purposes through them, you also operate for more than an insubstantial non-exempt purpose within the meaning of section 501(c)(3) of the Code.

Your subordinates’ social activities are conducted at meetings, parties, trips and recreational events, as well as fundraisers. They conduct weekly meetings at which members eat a meal and listen to various speakers in the community. Although these meetings may be characterized to serve your charitable purposes, they are primarily social events for your members, carried out to further your non-exempt social purposes. See Rev. Rul. 73-439, supra, in which a discussion group was held to be non-exempt where its meetings were more akin to the socializing that takes place at meetings of fraternal and professional clubs.

H described these weekly meetings as social dinners. N described their weekly meetings as a gathering of friends, informative guest speakers and social activities. M held weekly Friday lunch meetings and stated in its brochure that “we’re not just about community service though. We also like to have fun. Our meetings Friday at lunch can become raucous and irreverent.” P stated that one meeting per month is a social event, stating that the meeting “...allows for fun and fellowship...” Q provided that one meeting per month was to be a “Camaraderie Day” and stated on its website that “we also know that as B we receive as much as we give through (1) the fellowship, camaraderie and good humor we experience at our Friday morning meetings and (2) new social and business relationships with people from a cross section of our community.”

In addition to the weekly meetings, your subordinates conducted parties for their members, which are not in furtherance of an exempt charitable purpose. See Section 1.501(c)(3)-1(c)(1) of the regulations, supra. These parties included Super Bowl parties, Valentine’s and St. Patrick’s’ day parties, Christmas parties, and other similar holiday events and dinners and social events, including movie nights for members. In one club, for example, the calendar for the month of September 2007 showed six meetings, four of which were social events including dinner meeting socials, an installation banquet and a race party at the club house. H described its super bowl party as “a great success and there was a lot of family fellowship.” R stated that, in addition to its community service activities it enjoyed social events through the year including, among others, Las Vegas Night and a Super Bowl party. Vegas Night was described “as a night of gambling, camaraderie and a few liquid refreshments.” O described its St. Valentine and St. Patrick’s Day parties as “primarily a fun social gathering of members, spouses and invited guests.” And G discussed in its newsletter developing new social and working relationships as well as having fun with others.

S partook in both parties and trips. It stated that “besides helping kids, we also take time to have some FUN ourselves, including picnics, after project pizza parties, and a Christmas dinner/party.” The club describes field trips that the club regularly takes in place of regular meetings, including trips to local museums and the YMCA, etc... Furthermore, some clubs, such as N, offered what it called “V Opportunities” such as a night at the symphony, a night at

the theater and tickets to basketball games. Q held regular movie nights for its members serving hot dogs, chili and popcorn.

Many of the recreational events that the subordinate clubs sponsored for their members include card games, golf outings, day trips, and weekend retreats. Your newsletter advertised a travel tour for B. H organized a day trip to a local island that included a boat ride, lunch, tour of the island, and shopping. K sponsored a golf outing and a baseball game outing. Q sponsored a "Honeymoon Weekend" where 25 couples engaged in such activities as fishing, shopping, golf, hiking, pontoon boat rides, a two hour cruise, cocktail party, Saturday dinner and Sunday brunch at a "private accommodation." This club also sponsored golfing and card games. See Rev. Rul. 69-573, supra, in which a fraternity was determined to be a social club in that its major functions were, among other things, to serve as the headquarters for their entertainment.

Your subordinates also conducted a substantial number of events classified as fundraisers including raffles, sporting tournaments, BBQ's, comedy nights, and golf outings, etc... N, for example, held two primary fundraising events: friends of youth golf tournament and a bowl-a-thon. The bowl-a-thon was described as both a party and a fundraiser. L conducted the Sun Valley fun day and an R.V. park fundraiser. The R.V. park, according to L "has assumed a greater significance than a mere fundraiser effort. . . . For us, it is a time of renewing old acquaintances and making new friends." H conducted a BBQ fundraiser, a stew fundraiser, shrimp feast and golf tournament. Q conducted craft shows, football fun, and golf and basketball tournaments.

An activity may serve more than one purpose, such as fundraising, which is a method for your clubs to raise money. However, the fundraisers conducted by your subordinates are also events designed to foster member interaction and serve more than an incidental non-exempt social networking purpose. You are similar to the organization described in Phinney v. Dougherty, supra, in which the court found that, although a tax-exempt purpose existed, the organization also furthered social purposes, and therefore, did not qualify for exemption under section 501(c)(3) of the Code. See First Libertarian Church v. Commissioner, supra, in which the court explained that "clearly the regulations and cases contemplate that a single activity may be carried on for more than one purpose. If a substantial secondary purpose is not an exempt one, qualification under section 501(c)(3) is denied."

When asked to explain the social activities of your subordinates, you described some of these outings and other activities as member recruitment events and argued that "any tax exempt organization must establish a sense of community or bonding among its existing members and continually recruit new members, or the organization is destined for failure." While it is true that there will be some degree of member interaction and recruitment activities within an organization, those non-exempt activities must remain incidental to the organizations overall charitable purposes. In your case, the enhancement of social networking and other member recruitment and retention activities are not merely incidental to accomplishing your exempt charitable purposes. As the court held in Better Business Bureau v. United States, supra, the

presence of a single non-exempt purpose that is substantial in nature will destroy any exemption under section 501(c)(3).

Social Welfare Purpose

Section 501(c)(4) of the Code provides that a civic organization not organized for profit but operated exclusively for the promotion of social welfare is exempt from Federal income tax. In Rev. Rul. 65-195, supra, the organization was primarily engaged in bringing about civic betterments and social improvements by its activities on behalf of youth, community benefit programs, and community leadership training. However, under section 1.501(c)(4)-1(a)(2)(ii) of the regulations, the organization will not qualify for exemption as a civic organization described in section 501(c)(4) if its primary activity is the operation of a social club.

Your primary purposes are to promote an active interest in good government and civic affairs, inspire respect for law, promote patriotism and work for international accord and friendship among all people, and aid and encourage the development of youth. You are similar to the organization described in Rev. Rul. 65-195, supra, in which the Service ruled that the organization's youth activities, including instruction in sports and the organization of contests and its community leadership training activities furthered social welfare purposes under section 501(c)(4) of the Code. You provide training at your annual convention for members who hold positions as club officers and you have also developed training modules to be used by member clubs for leadership development. These training activities and the development of youth through the U program, your annual international essay, oratorical and communication contest for the hard of hearing, as well as your respect for law week/promotion of non-violence activities, youth appreciation and youth safety activities are all programs conducted for purpose of bringing about civic betterments and social improvement; and therefore, promote the common good and general welfare of the people in the community. See also Rev. Rul. 75-386, supra, (an organization that carries on activities in the general areas of public safety and crime prevention, housing and community development, recreation, and community services qualifies for exemption under section 501(c)(4)).

You conduct an annual international junior golf championship to promote the interest of youth in amateur sports, to provide physical fitness and good sportsmanship. You conduct tri-star sports skills activities that offer children the opportunity to participate in sports such as basketball, baseball, soccer, football, and in-line skating. The Service has ruled that an organization that stimulates the interest of youth in the community in sports qualifies for exemption under section 501(c)(4) by promoting the common good and general welfare of the people of the community. See Rev. Rul. 68-118, supra (organization that furnished free admission for youth to professional sporting events was considered to provide wholesome entertainment for social improvement and welfare of the community under (c)(4)); See also, Rev. Rul. 69-384, supra (the development of good sportsmanship, high character, and the physical well-being of young adults through the operation of an amateur baseball league promotes the common good and

welfare of the people of the community); See Rev. Rul. 70-4, supra, (the promotion and regulation of a sport for amateurs promotes the common good and general welfare of the people of the community).

Furthermore, you are similar to the organization described in Situation 2 of Rev. Rul. 66-179, supra, which was found to be exempt under section 501(c)(4) of the Code and unlike the organization described in Situation 1 which was found to be exempt under section 501(c)(3). Situation 2 described a garden club that was organized for purposes of instructing the public on horticultural subjects and stimulating interest in the beautification of the geographic area but that also conducted substantial social functions for the benefit, pleasure and recreation of its members. You are more like the organization described in Situation 2 because, although you are operated for the purpose of providing youth development programs, through such activities as oratorical contests, youth recreational activities and other youth programs, you are also operated to further the social purposes of your members, more than insubstantially, and are therefore more appropriately exempt under section 501(c)(4) rather than section 501(c)(3).

Applicant's Protest

You submitted your protest in three parts. The first proposed making specific changes including changes to your member clubs. It further stated "Assuming the Service becomes comfortable with the changes, we would ask that the pending group exemption under section 501(c)(3) be issued on a prospective basis." The second letter explained that the changes were "proposed" and you asked to "engage in "settlement" type discussions to determine exactly what modifications the Service will require in each instance." The third letter outlined your disagreement with the Service's position and stated that "our immediate goal is to determine exactly what modifications must be made to the activities and operations...so that a group exemption can be granted." The following summarizes your proposed changes and discusses the areas of disagreement:

Proposed changes

You proposed changes to your website. You stated "references to fellowship, personal development and association with like-minded people will be eliminated." Instead the website will read "financial management training for the member club and leadership training for club members to encourage future leaders of the member club."

You proposed clarifying the "leadership context" in which development at the annual Conventions is provided.

You proposed the appreciation luncheon and entertainment expenses will no longer be incurred and no longer included in the Convention agenda.

You stated that the Organizational Renewal Plan was rejected and that if it is reinstated you proposed that it will not include any references to "social networking."

You proposed that you will request that the website of F delete the references stating that your members “will grow personally and enhance social and business relationships.”

You proposed the model club committees for fellowship and social functions will be abolished.

You proposed deleting from brochures references to “fellowship and social networking.”

You proposed future newsletters will not publicize travel opportunities for members.

You proposed implementing a “Club Activities Report” which each member club will be required to complete annually that reports the volunteer hours expended for social activities, which are not fundraisers, relative to all volunteer hours expended by club members. The report will also request information relating to total club costs allocable to social activities, which are not fundraisers, relative to the costs of all events and activities of the club.

Draft Member Club Pledge

You submitted a “Draft Member Club Pledge” and stated that it addressed the issues raised by the Service. Your response included signed pledges from the sampled subordinate clubs. The pledge provides that the club agrees:

1. All speakers at Club meetings must present items of interest to the general public that are consistent with the charitable and educational purposes of X. Speakers will not present topics of personal benefit to Club members.
2. Other than the annual meeting at which Club officers are elected, all Club meetings will be open to the public. The Club will undertake reasonable efforts to encourage members of the general public to attend Club meetings other than the annual meeting.
3. Club activities, which are not fundraisers and which primarily involve social activities, shall be limited as follows:
 - a. Total volunteer hours expended by Club members in organizing and operating activities which are primarily social shall not exceed percent of the total hours expended by Club members in organizing and operating all Club events for each fiscal year;
 - b. Total costs allocable to activities which are primarily social events shall not exceed 5 percent of the total costs of all costs for all activities of the Club for each fiscal year; and
 - c. The Club will comply with all recordkeeping requirements required by X to confirm satisfaction of the two aforementioned requirements.
4. Club marketing materials, including newsletters, designed to encourage participation by new members will not:
 - a. Promote the development of social and networking relationships;
 - b. Promote the improvement of personal skills, other than leadership skills which

- shall be promoted only for the purpose of developing new leaders for X member clubs;
- c. Promote fun or camaraderie;
 - d. Promote personal return, other than the personal satisfaction that a Club member experiences as a result of giving to youth;
 - e. Promote personal fellowship; or
 - f. Promote the fact that a member will receive something in return for participating, other than the feeling one gets when he or she helps out a person in need.
- 5 The club will not maintain a Fellowship Committee or a Social Committee, nor will any other committee of the Club engage in the promotion of any activity described in 4(a) through 4(f) above.

Areas of Disagreement

You disagree that member clubs operate for more than an insubstantial non-exempt purpose. You contend that to characterize a meeting where a meal is served as social is simply wrong. You point out that meetings are “almost always open to the public, often present speeches from persons outside the club focusing on matters relating to community service to promote youth and public service, as well as identify successes in community outreach. In addition money raised by member clubs is used to achieve charitable and educational purposes, not for upkeep of meeting houses.” You also state the purpose of club meetings is to address ways to engage in community outreach. Further you state the meetings are not the activities which achieve your exempt purposes but instead represent an effective means to design, organize and implement activities which achieve your exempt purposes.

With respect to convention social activities, you contend that the Service ignores the fact that the social interaction is conducted as an adjunct to an activity which is already related to your exempt purposes.

Specific Clubs

You contend that many of the events identified by the Service as social activities were instead fundraisers. With respect to club H, you state that “Even with respect to those events which are not fundraisers but involve social activities, such as a super bowl party and seafood appreciation dinner, the Service ignores the fact that these events are member recruitment events and the time and cost expended on such activities would almost certainly satisfy the 5% rule.” Also with respect to club H you state “the fact that the first hour of these meetings is referred to as “social” is simply a reflection that the first hour, which is not mandatory for attendees, does not involve the conduct of club business, which is specifically reserved for the second hour.” With respect to club J, you state that “Even if one were to treat the member meetings as a social function, the 5% Rule would be satisfied both with respect to time and cost associated with these meetings.” With respect to club K, you state that the club golf outing was a fundraiser and the baseball game event was a member recruitment event. With respect to club L you contend that the newsletter statement “opportunity to renew old acquaintances and make new friends” was taken out of context as the event was to raise funds.

With respect to club N you state the members' right to purchase discounted tickets to two community events (basketball game and symphony) involved virtually no club volunteer time and the club expended no club funds on the activity. With respect to club O's St. Patrick's and Valentine's Day parties you state the activities are member retention and new member development events with time and expense associated with the events being minimal. You also contend the time and costs associated with movie nights was materially insignificant in comparison with the time and costs expended in all club activities. Further, you state craft shows, football fun and basketball and golf tournaments are all fundraisers and not social events.

You state club P is now defunct and no longer included in the group exemption.

With respect to club Q, you state the Honeymoon Weekend, bridge group and golf outings are not even formal club events, as they involve no expenditure of time and money by the club. Instead the club's website was simply used by club members to make other members aware of these non-club activities.

With respect to club R, you state the Vegas Nights serves two functions, member recruitment and fundraising. The time expenditure and monetary cost of the club Christmas party and super bowl party is very insignificant relative to all club activities.

With respect to club S, you state the club is now defunct and no longer included in the group ruling.

Documentation

You provided additional documentation including the "Back to School" Workshops.

Applicant's Protest Conclusion

You contend that most of the social activities are incidental to either a club meeting, designed to discuss ways to achieve exempt purposes, or a fundraiser. Further, you contend that other social activities involve such a limited expenditure of time and financial resources for the relevant club that it cannot be classified as anything other than incidental.

Service Response to Applicant's Protest

We have considered your protest including your proposed changes. The facts continue to show that you are not operated "exclusively" for IRC 501(c)(3) purposes as more than an insubstantial part of your operations include social and other non-IRC 501(c)(3) purposes. As stated earlier in this letter, this proposed denial letter applies only to your Form 1023 application. Your request for a group ruling, including a prospective group ruling, will be handled separately.

Revenue Procedure 2010-9 (updated annually) explains that the determination letter is based solely upon the facts and representations contained in the administrative record. Proposed activities must be described in sufficient detail to permit a conclusion that the organization will clearly meet the particular requirements for exemption pursuant to the section of the Internal Revenue Code under which exemption is claimed. Both your past and your proposed operations include more than insubstantial social and other non-IRC 501(c)(3) purposes.

Service Response to Proposed Changes:

Your proposed changes included changes to your website and the websites of several subordinates; clarification of your leadership development; removal of the appreciation luncheon and entertainment expenses from your Convention agenda; removal of references to “social networking;” the abolishment of fellowship and social function committees; the deletion in brochures of references to “fellowship and social networking;” and you will not publicize travel opportunities for members. While the proposed changes show a willingness to modify several areas where the Service found evidence of non-IRC 501(c)(3) operations, the facts continue to show in both past and proposed operations evidence of more than insubstantial non-IRC 501(c)(3) operations. Subsequent reviews of your website and the websites of your subordinates continue to show fellowship and social purposes. For example, H’s current website listed a “social” at 6 pm and a “family gathering” at a member’s house where the “fellowship of friends and family was memorable.” In addition an annual picnic was advertised as “bring a covered dish and a chair and join the fun. M’s website continues to state “We also like to have fun. Our meetings each Friday at lunch can become raucous and irreverent. We enjoy our Installation Banquet each fall; our Christmas parties; and our times when we just get together to be with friends. R’s website states we “enjoy a few social events throughout the year” and describes the installation banquet as a social/dinner for members and spouses...a fun evening with other club members.” Q’s website describes weekly Friday meetings as “fellowship, camaraderie and good humor” and “new social and business relationships with people from a cross section of our community.” Q’s Christmas party was described as a “Christmas social for the club members and their families.”

Service Response to Draft Club Activities Report and Draft Member Club Pledge:

The report and pledge both attempt to track and monitor various aspects of your subordinate clubs operations. As a parent of a group exemption, it is your responsibility to ensure that each subordinate meets the requirements of exemption under the subsection under which exemption is claimed. The report and pledge, as presented, do not adequately restrict each subordinates operations to exclusively IRC 501(c)(3) purposes. Nor, do they demonstrate satisfactorily the methodology of monitoring or ensuring compliance with IRC 501(c)(3) purposes. The draft report applies solely to volunteer hours expended for social activities and excludes social activities which may also be described as fundraisers. There was no explanation provided which distinguished a purely social activity from a social activity that is a fundraiser nor does there appear to be a method of capturing data on all operations, not just those that are social and not a fundraiser. Your draft member club pledge likewise applied only to social activities, which are not fundraisers and solely to volunteer hours. In addition, the pledge used the phrase “primarily social” and stated that the hours expended may not exceed 5 percent and costs may not exceed 5 percent. Here too there is no explanation of how “primarily social” is determined or

how a social event may be distinguished from a fundraiser or other club operations. Further, there appears to be no explanation of how an activity is to be characterized when it includes a mix of both social and fundraising purposes. The percent threshold is also insufficient as the Code simply states that no more than an insubstantial amount be devoted to non IRC 501(c)(3) purposes. No more than insubstantial is not numerically defined and instead is based on all the facts and circumstances.

The removal of certain language from marketing materials and newsletters and the elimination of a fellowship or social committee do not demonstrate sufficiently that such purposes and operations have been eliminated by you or your members clubs.

Service Response to Areas of Disagreement:

Clearly, you conduct and your subordinates conduct numerous IRC 501(c)(3) activities. The issue remains to what extent non-IRC 501(c)(3) activities are conducted. The characterization of meetings as social was not made by the Service, but rather was language taken from the descriptions provided by you and your subordinates in newsletters, brochures and websites. The facts continue to show that more than an insubstantial part of your operations is for non-IRC 501(c)(3) purposes.

Service Response to Specific Clubs

With respect to clubs H, J and K you contend the specified events were member recruitment events and the time and costs expended would "satisfy the 5% rule." The literature describing the events did not mention member recruitment. Instead the events were described as a "family affair" and that there was a lot of "family fellowship" or you stated that the event was a "social event among members of the club, but also served as an event to encourage new members to join." There was no evidence showing the events were member recruitment activities. There was no evidence of solicitation of new members to attend the events, the number of prospective members attending, or the number of new members acquired as a result of the events. Further, as explained above, the Code does not numerically define "no more than insubstantial."

With respect to club N, even though the amount of time was minimal and no funds were expended the right to purchase discounted tickets to community events was clearly described as a benefit to members and was for a non-IRC 501(c)(3) purpose.

With respect to club O, you submitted no factual evidence that the St. Patrick's and Valentine's Day parties were member retention and new member development events. The facts describe the events as "fun social gatherings." You also provided no factual evidence to support that movie nights were materially insignificant or that craft shows, football fun and golf tournaments were fundraisers. The calendar of events listed 11 movie nights. No evidence was provided to support your position that craft shows, football fun and golf tournaments were fundraisers.

With respect to club Q you state the club's website was used by club members to make other members aware of non-club activities. As noted above the honeymoon weekend was an annual event, the bridge group was a monthly event and the golf events were described as numerous. The facts also discussed a number of other social events such as an annual square dance

which was a “fun way to socialize with members.” The website did not identify the events as “non-club activities.” Instead the facts show the social events were frequent and were promoted as “member” events.

With respect to club R, you state Vegas Nights serves two functions, member recruitment and fundraising. R's website did not describe the events as member recruitment or as fundraisers. Instead the website stated that you “enjoy social events throughout the year, which include...Las Vegas night...” You go on to state that the clubs Christmas party and super bowl party are “very insignificant relative to all club activities.” However, you did not provide documentation showing how the significance of the events compared to all events was determined.

Service Response to Applicant's Protest Conclusion:

Even though you state social activities are incidental, designed to achieve exempt purposes or involve limited expenditure of time or funds, you have submitted no factual evidence to support your claim. On the contrary, newsletters and websites define events as “social” and do not describe the events as otherwise.

Conclusion

Based on our analysis of your facts and circumstances, and in light of the applicable law, we have determined that you do not qualify for exemption under section 501(c)(3) of the Code. You are not operated exclusively for one or more tax-exempt purposes within the meaning of section 501(c)(3) of the Code. We have also concluded that more than an insubstantial part of your activities is not in furtherance of an exempt purpose under section 1.501(c)(3)-1(c)(1) of the regulations.

Alternative Issue Conclusion:

You do not qualify for exemption under section 501(c)(3) either retroactively or prospectively as your operations both as conducted to date and as proposed include more than an insubstantial part non-IRC 501(c)(3) purposes. Your protest and proposed changes did not provide sufficient evidence that your operations will meet the requirements of section 501(c)(3).

Contributions to you are not deductible under section 170 of the Code. You remain exempt as an organization described in section 501(c)(4) of the Code.

If after considering the above analysis of your protest, you continue to disagree with our proposed adverse determination, please submit a supplemental protest letter confirming that you continue to disagree and that you now request that we transfer your case to Appeals for further consideration. You may incorporate by reference any prior arguments that you still deem to be valid. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter.

The proposed denial and protest only apply to X's Form 1023 application. The request for a group ruling will be handled under separate cover.

We will consider your statement and decide if that information affects our determination. If your statement does not provide a basis to reconsider our determination, we will forward your case to our Appeals Office. You can find more information about the role of the Appeals Office in Publication 892; Exempt Organization Appeal Procedures for Unagreed Issues.

Types of information that should be included in your appeal can be found on page 2 of Publication 892, under the heading "Regional Office Appeal". These items include:

1. The organization's name, address, and employer identification number;
2. A statement that the organization wants to appeal the determination;
3. The date and symbols on the determination letter;
4. A statement of facts supporting the organization's position in any contested factual issue;
5. A statement outlining the law or other authority the organization is relying on; and
6. A statement as to whether a hearing is desired.

The statement of facts (item 4) must be declared true under penalties of perjury. This may be done by adding to the appeal the following signed declaration:

"Under penalties of perjury, I declare that I have examined the statement of facts presented in this appeal and in any accompanying schedules and statements and, to the best of my knowledge and belief, they are true, correct, and complete."

Your appeal will be considered incomplete without this statement.

If an organization's representative submits the appeal, a substitute declaration must be included stating that the representative prepared the appeal and accompanying documents; and whether the representative knows personally that the statements of facts contained in the appeal and accompanying documents are true and correct.

An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you during the appeal process. To be represented during the appeal process, you must file a proper power of attorney, Form 2848, Power of Attorney and Declaration of Representative, if you have not already done so. For more information about representation, see Publication 947, Practice Before the IRS and Power of Attorney. All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter to you.

Please send your protest statement, Form 2848 and any supporting documents to the applicable address:

Mail to:

Internal Revenue Service
Exempt Organizations
P.O. Box 2508
Cincinnati, OH 45201
ATT:

Deliver to:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street
Cincinnati, OH 45202
ATT:

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

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

Sincerely,

Robert S. Choi
Director, Exempt Organizations
Rulings & Agreements