



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

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

Release Number: **201125045**

Release Date: 6/24/2011

Date: March 30, 2011

UIL Code: 501.03-08

501.03-30

501.04-00

501.33-00

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

Tax Years:

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 in response to your application that proposed an adverse determination. The letter explained the facts, law and rationale, and gave you 30 days to file a protest. Since we did not receive a protest within the requisite 30 days, 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. You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

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.

In accordance with Code section 6104(c), we will notify the appropriate State officials of our determination by sending them a copy of this final letter and the proposed adverse letter. You should contact your State officials if you have any questions about how this determination may affect your State responsibilities and requirements.

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 Federal income tax status and responsibilities, 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,

Lois G. Lerner  
Director, Exempt Organizations

Enclosure  
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: March 30, 2011

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

Legend:

B = Applicant

C = Date

D = State

E = Name

F = Name

G = Name

H = Name

J = Name

K = Name

L = Name

M = Name

Q = Group

R = Participant Name

Z = Website

X = Quantity

UIL Nos:

501.03-08

501.03-30

501.04-00

501.33.00

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 Code sections 501(c)(3) or 501(c)(4). The basis for our conclusion is set forth below.

Issues:

1. Do you meet the organizational test to qualify as an organization described under section 501(c)(3) of the Code? No, for the reasons stated below.
2. Are you formed for an educational purpose under section 501(c)(3) of the Internal Revenue Code? No, for the reasons stated below.

3. Does your web-based networking platform serve the impermissible private benefit of your members in contravention of section 501(c)(3) of the Code? Yes, for the reasons stated below.
4. Are you operated exclusively for the promotion of social welfare purposes under section 501(c)(4) of the Code? No, for the reasons stated below.

**Facts:**

You, B, were incorporated in the State of D on date C. Your Articles of Agreement state your object is:

**To internationally network people and places**, create educational exchanges, raise collective consciousness, spread tolerance, and facilitate cultural understanding.

Said organization is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code.

With regard to the distribution of assets upon dissolution, Article 2 of your Articles of Agreement state:

In the event of dissolution, the residual assets of the organization will be turned over to one or more organizations which themselves are exempt as organizations described in section 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986 or corresponding sections of any prior or future Internal Revenue Code, or to the Federal, State, or local government for exclusive public purpose.

However, Article 4 of your Articles of Agreement provides:

The provisions for disposition of the corporate assets in the event of dissolution of the corporation including the prioritization of rights of shareholders and members to corporate assets are:

1. To pay all outstanding debts of the corporation
2. **To repay capital contributions**
3. The remainder will be used for charitable purposes.

Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, or corresponding section of any future Federal tax code, or shall be distributed to Federal, state, or local government for a public purpose. Any such assets not so disposed of shall be disposed by a court of competent jurisdiction of the county in which the principal office of the corporation is then located, exclusively for such purposes.

Your stated mission is to foster intercultural understanding to the world through cultural

exchange. To achieve your mission, you operate Z, a website that enables a global community of members to establish personal profiles, join groups/forums, participate in discussions and create friendships online. You indicate that **your only program at this time is the operation of Z**. Through your networking platform, Z, members may meet other members online and independently engage in hospitality exchanges offline, in which members travel to designations of their choice and become an invited guest at another member's home for a day or two. When your members are guests in someone's home, they receive free accommodation and are participating in what is also known as "homestay." Membership to your networking website, Z, is free of charge. You state that your purpose of promoting cultural exchange is accomplished when your website users travel to meet other members. However, members are never under any obligation to host or to travel to global destinations. Members choose their own travel destinations and autonomously arrange for a homestay with a host in the Z network community. Through your website, Z, members are also able to coordinate regional or local gatherings/activities in which local residents and travelers that happened to be in the area are invited to participate. Additionally, you state that your members have created a separate website (apart from Z) to house a travel guide for the benefit of members, which includes information on various countries, including information on the country's history, geography and culture.

Your website service is not limited to a particular charitable class of individuals. The use of your website service is free and is available to any adult in any country. However, you state that your website is primarily used by young adults, a group that typically has limited financial resources. Though users are required to register on Z, registration is only necessary in order for users to submit a minimum amount of information needed for travelers to find a home in the place they wish to visit. In addition, you provide that the more users (travelers/hosts) meet with each other, the greater opportunity there is for meaningful exchanges, and that furthers your mission. Your "website has been purposefully designed and written to attract more users by appealing to their desire for adventure rather than their sense of charitable duty." You explained that:

Anyone with access to the Internet can use our website to experience intercultural exchange. From our website's FAQ page: "[Our Organization was]

[homestay]. [Rs/travelers]  
,

You described your discussion forums on your website as follows:

"[You]

You state that you provide a service called "Verification" to users of your website. You

explained the verification service as follows:

...Users may become a "Verified Member" by making a contribution. The amount of the suggested contribution varies by the country of the users; taking into account the country's purchasing power parity and human development index...The contribution is made by credit card and the donor's name is verified against the name on the credit card. A thank you note is sent to the donor at the donor's address provided to [you]. The thank you note also includes a code which the donor types in to verify that the donor does in fact live at that address. Verification is not required to use any of [our] services but is in recognition for contributing...

All users are concerned with security and want to be sure that another user is who he or she says that they are.[Sic] Verification is one of our security measures that helps people to have more confidence when meeting someone that they do not know or someone who does not have many references yet. This service also allows new members to become more trust worthy, quickly after joining. Anyone with a credit card can get verified for as little as the cost of postage and related bank fees. By default we ask members to contribute a larger amount than the default verification fee. Verifications generally range from \$ up to \$ We count the first \$ as the cost of verification and everything greater than that as a donation. Here is the table that shows details about how those donation/verification transactions get split.

Year	#Verifications	Verification Part	Donation Part	Total
20 (Jan-Sept)	6132	\$	\$	\$
20	2584	\$	\$	\$
20	915	\$	\$	\$
20	84	\$	\$	\$

You indicate that you receive assistance from volunteers in developing and maintaining your website, Z. You stated:

[Our] volunteers, from time to time, go to foreign countries to set up [Qs]. These [Qs] are spaces from which volunteers can meet each other and collaborate on achieving the organization's mission. Activities such as writing computer code, internet technology administration, and project coordination can be done in any place in the world with internet connectivity. Therefore, volunteers from the immediate area as well as all other website members are encouraged to visit these [Qs], stay for a few days, and help [you] in any way they can.

The [Qs] live in houses located in worldwide regions [thus allowing] website members from those areas to volunteer their time. The goal of the [Q] model is to provide food, shelter, appreciation and human connection which enables [you] to retain volunteers for a prolonged period of time. [You are] able to attract experts in many fields such as website programming, server administration, remote volunteer management, graphic design, safety, public relations, website testing, members question answering, member discussion forum moderation and member communications.

You state that you do not have a written agreement with volunteers in regards to their volunteer services, but you do have a confidentiality agreement that asks certain volunteers to sign if they have access to sensitive information like member data. You submitted a team member agreement between you and your prospective volunteers, consultants or employees. The agreement requires said individuals to assign all rights, titles and interest in inventions, patents, copyrights, trademarks, and registrations over to you.

In addition, you indicate that you plan to conduct programs such as "L", "M", and research for the public interest in the future. You described the following:

L is a program [designed to assist] people who want to travel the world, stopping to visit a new person every few weeks who can help them learn a skill or trade, often one unique to the area. Rs [member travelers] will be able to search for those who are willing to teach and then design a tour with learning stops along the way. In this way, knowledge would be passed via hands on interaction from R to R, worldwide.

M is a program [that] will allow those displaced during a natural disaster, such as a hurricane or tsunami, to find housing through R users and give users an opportunity to travel to an affected area to assist those in need.

With regard to research for the public interest, you provide that part of your mission is to conduct intercultural research by facilitating and documenting interactions between travelers and local hosts. You state you collect data in collaborations with academic, cultural, and scientific institutions to generate greater understanding of intercultural differences and foster intercultural communications. You stated that:

The Organization initiates, facilitates, manages, and collects this valuable data on individual intercultural relations via its website of over X (and growing) international members, representing over 220 countries. To date, the Organization has amassed detailed records of over 2,000,000 intercultural relationships, covering over 200 distinct cultures and nationalities. The website Z serves as the Organization's "laboratory" by enabling it to conduct group surveys, peer focus groups, web analytics, evaluation, and monitoring. The data collected represents intercultural relationship histories including length of qualitative and quantifiable data points related to intercultural understanding and communications.

Subjects are enticed to participate in the Organization's studies through free membership to a website service that both enables subjects to participate in home-stays while traveling and automatically tracks the details related to these home-stays. From the subjects' perspective, the website serves to provide travel planning and travel information for travelers and home-stay hosts. This information constitutes a series of incentives carefully designed to entice subjects who may be reluctant to take surveys to participate in the Organization's research. Engaging the subject with language and imagery consistent with the travel industry is a crucial component of the mission. Gathering data relies upon successfully encouraging subjects to engage each other through home-stay and encouraging them to use the website tools and surveys to enter data about their interactions.



Although you have proposed activities including L, M, scholarship/fellowship program, other educational grants and loans, these proposed activities have not yet been implemented. You also stated that "If [your organization] ever provides educational grants, it will probably devote less than 5% of its time to this activity." Your only active program is operating your networking website, Z. You have put all of your resources and efforts towards this program thus far.

You submitted a Form 1024, Application for Recognition of Exemption under Section 501(a) for Determination Under Section 1024 of the Internal Revenue Code. Subsequently, your Form 1024 was superseded by two Forms 1023.

Your current governing body according to your most recent Form 1023 submission consists of E (your founder), G, H, J, and K. Your board members E, G, and K also serve as your compensated employees.

Article III, section 2 of the Amended and Restated Bylaws that E shall serve as a permanent member of the Board of Directors until he voluntarily withdraws or is removed by majority vote of the Board of Directors for just cause, and that, with the exception of E, each Director shall serve a five-year term. This section defines "just cause" as gross and willful negligence, mental or physical incapacity, criminal or fraudulent activities related to you or unwillingness to perform his duties as Chairman of the Board.

You initially filed Forms 1120 for 20 20 and 20 You state you filed Forms 1120 thinking you could not file Form 990 until you have received recognition under section 501(c)(3) of the Code. You then filed Forms 1120X for those three years to show zero income and filed Forms 990 and 990-EZ for 20 20 and 20

You provided copies of your Forms 990 and 990-EZ, Return of Organization Exempt from Income Tax. Per 2004 through 2006 returns, your revenues consisted of fees and suggested donations. However, beginning with 2007 return, you no longer separated verification fees from donations and report verification fees as donations rather than program service revenues. You do not receive support from the government. You rely on service fees and donations. Your returns showed your revenues as follows:

Tax Year	Donations	Program Service Revenues	Interest	Other Revenues	Total
2004	\$	\$			\$
2005	\$	\$	\$		\$
2006	\$	\$	\$		\$
2007	\$		\$	\$	\$
2008	\$		\$		\$
Total					\$

You recently submitted amended Forms 990-EZ for 2004 through 2008, executed by E on April 7, 2010, which combined donations and previously reported program service revenues into donations only.



Your amended Forms 990-EZ reported the following revenues:

Tax Year	Donations	Interest	Other Revenues	Total
20	\$			\$
20	\$	\$		\$
20	\$	\$		\$
20	\$	\$	\$	\$
20	\$	\$	\$	\$
Total				\$

You state that you qualify for recognition of tax exempt status under Section 501(c)(3) and Section 501(c)(4) of the Code because you further an educational purpose through the promotion of cultural exchange. You also maintain that your activities lessen the burdens of government. You provided the following:

...None of the members of the Board have been appointed by the government...

The activity of cultural exchange and home stay has been conducted by the government pursuant to statute as far back as 1948. Recently, the U.S. State Department launched its [F] website. Both the U.S. Department of State's home stay programs and [F] have not been replaced by [you], but [you] have augmented these important governmental activities in a time of economic downturn by providing them free of charge.

The government has spent money on international exchange...It sponsored over 4,500 program participants from approximately 100 countries through grants and cooperative agreements. In the same fiscal year, at no charge to the federal government, [you] facilitated 280,790 exchanges in approximately 210 countries and territories. Since [you] provide the exact same services, the government does not need to finance international exchange to the same degree...

**Law:**

Issues 1, 2, and 3 – IRC 501(c)(3)

Section 501(c)(3) of the Code describes, in part, an organization which is organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations states that in order to qualify under section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational or operational test, it is not exempt.

Section 1.501(c)(3)-1(b)(1)(i) of the regulations provides that an organization is organized

exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization to engage, other than as an insubstantial part of its activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

Section 1.501(c)(3)-1(b)(4) of the regulations holds that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or operation of law, be distributed for one or more exempt purposes.

Section 1.501(c)(3)-1(c)(1) of the regulations states that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more such exempt purposes specified in section 501(c)(3) of the Code. 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 1.501(c)(3)-1(d)(1)(ii) of the regulations assigns the burden of proof to the applicant organization to show that it serves a public rather than a private interest and specifically that it is not organized or operated for the benefit of private interests, such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(d)(2) of the regulations provides that the term "charitable" is used in section 501(c)(3) of the Code in its generally accepted legal sense and includes the relief of the poor and distressed or of the under privileged as well as the advancement of education and science.

Section 1.501(c)(3)-1(d)(3) of the regulations provides that the term "educational" refers to:

- (a) The instruction or training of the individual for the purpose of improving or developing his capabilities; or
- (b) The instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(d)(5) of the regulations states that the term "scientific" as used in IRC 501(c)(3) includes scientific research in the public interest.

Section 1.501(c)(3)-1(d)(5)(iii) of the regulations states that scientific research will be regarded as carried on in the public interest if; (a) the results of the research are made available to the public on a nondiscriminatory basis, (b) the research is performed in the United States, or any of its agencies or instrumentality, or for a State or political subdivision thereof or (c) the research is directed toward the public. An example of scientific research carried in the public interest is an organization formed for the purpose of obtaining scientific information and publishes the

information in a treatise, thesis, trade publication, or in any other form that is available to the interested public.

Revenue Ruling 57-38, 1957-1 C.B. 96, held that contributions made to a Committee for use exclusively in advancing the 'People-to-People Program' constituted allowable deductions under section 170 of the Code. The 'People-to-People Program,' was approved by the President as an effective means of supplementing the direct activities of the Government in accomplishing the purposes of the Information and Educational Exchange Act. The Program was organized around Committees functioning in widely different fields. At the request of the President, certain American citizens who were prominently associated with various areas of industry, business, education, etc. acted as chairman of the Committees to carry out the Program in their particular fields. The Committees constituted private organizations functioning on their own initiative and responsibility to make the objectives and principles of the United States better understood throughout the world. The United States Information Agency assisted and advised the several Committees, pursuant to the functions of that Agency.

Revenue Ruling 65-191, 1965-2 C.B. 157, held that a nonprofit corporation organized for the purpose of extending hospitality to foreign visitors and students, promoting cultural and educational programs, and providing an environment for social contact between American citizens and foreign visitors and students qualified for exemption under section 501(c)(3) of the Code. To accomplish this purpose, the organization maintained and operated a hospitality or community center. The organization's activities were arranging for, presenting and sponsoring lectures, discussions, musical programs, educational films, language courses and maintaining a library, all of which were open to members and the general public free or for a minimum charge to cover the costs.

Revenue Ruling 67-327, 1967-2 C.B. 187, held that a nonprofit organization formed for the purpose of arranging group tours for students and faculty of a university to allow them to travel abroad and which has no other activities was not entitled to exemption from Federal income tax under section 501(c)(3) of the Code. The organization assisted in forming groups of persons having a common affiliation with a university and who are interested in chartering transportation for foreign travel. As agent for each group, it collected the estimated pro rata share of the charter and administrative costs. The organization arranged for the transportation, paid the carrier, retained a sum to defray its expenses, and returned any balance to the group members. The organization was not entitled to exemption under section 501(c)(3) of the Code because the arranging of group tours is not in itself the instruction or training of the individual for the purpose of improving or developing his capabilities.

Revenue Ruling 68-165, 1968-1 C.B. 253, held that a domestic nonprofit corporation (composed of educational, civic, business and other groups) that joined with a counterpart group in a country in Latin America to promote student and cultural exchanges and to provide technical and material assistance for self-help projects designed to improve the living conditions of underprivileged people in Latin America was exempt from Federal income tax under section 501(c)(3) of the Code. The organization's activities included furnishing tools, educational materials, and other supplies; providing agricultural assistance; giving advice and training

necessary to administer health and welfare programs; promoting student and cultural exchange programs; and undertaking studies of educational needs, transportation problems, and water resources. These activities, which were encouraged and supervised by the Peace Corps and Agency for International Development volunteers, were essentially self-help projects instituted at the local level.

Revenue Ruling 69-175, 1969-1 C.B. 149, provided that bus transportation for members' children attending a private school served a private rather than a public interest. The organization was formed by the parents of pupils attending a private school exempt from Federal income tax under section 501(c)(3) of the Code. All control over the organization rested in the parents. The organization provided bus transportation to and from the school for those children whose parents belonged to the organization. Parents must pay an initial family fee and an additional annual charge for each child. The organization's income approximately equaled the expenses involved in its operations. When a group of individuals associated to provide a cooperative service for themselves, they are serving a private interest. By providing bus transportation for school children, under the circumstances described, the organization enabled the participating parents to fulfill their individual responsibility of transporting their children to school. Thus, the organization serves a private rather than a public interest. Accordingly, it was not exempt from Federal income tax under section 501(c)(3) of the Code.

Revenue Ruling 75-196, 1975-1 C. B. 155, held that a organization operating a law library whose rules limit access and use to members, or their designees, of a local bar association, composed of substantially all of the members of the legal profession in the municipality and providing the library's primary support, qualified for exemption under section 501(c)(3) of the Code as educational in nature. The library facilities were available to a significant number of people, and restrictions were placed on the use of the library primarily because of the limited size and scope of the facilities. The fact that attorneys who use the library might derive personal benefit in the practice of their profession from the information garnered thereby was incidental to this purpose and was, in most instances, a logical by-product of an educational process. Therefore, the limitation of the use of the facilities as herein described was reasonable and did not prejudice the exclusively educational nature and purpose of the facility.

Revenue Ruling 76-418, 1976-2 C.B. 145, described an organization formed to initiate and develop plans and programs to reduce vehicle deaths and injuries. It was governed by a board of directors that consisted of individuals from various segments of the public at large. To accomplish its objective, the organization provided local government officials, upon their request, with free expert opinions regarding the existence of hazardous traffic conditions in their particular communities. This service was performed by a staff of experts hired by the organization, and was designed to locate and identify traffic conditions that could lead to harmful accidents. After the organization conducted an analysis of traffic conditions in a community, it prepared a formal report detailing the existence of any hazardous conditions, and the dangerous effect that might be expected to result if the conditions were not corrected. This report also recommended ways in which the hazardous conditions might be remedied. The organization was held to qualify for tax exemption under section 501(c)(3) of the Code.

Revenue Ruling 80-286, 1980-2 C.B. 179, held that a nonprofit organization that operated an

exchange program for children of the United States and a foreign country qualified for exemption under section 501(c)(3) of the Code. The organization was formed to encourage and foster cultural and educational development of children by arranging for and participating in the exchange of children, on a temporary basis, between responsible families of a particular foreign country and the United States. To accomplish this purpose, the organization arranged for an American family to exchange one of its children for a child from a family that resided in the foreign country. The organization solicited applications from interested families in both countries, selected and matched qualified families, arranged for transportation to and from the respective countries, and provided a bilingual escort to travel with children between countries.

According to Revenue Ruling 85-1, 1985-1 C.B. 177, an activity is a burden of government if there is an objective manifestation by a governmental unit that it considers the activities of the organization to be its burden. Whether an objective manifestation exists may be shown by a variety of factors. Such factors include the following:

- 1) Whether an organization is formed pursuant to a state statute. The statute clearly defines the organization's structure and purposes.
- 2) Interrelationship with a governmental unit – the stronger the control a government has over the organization's activities, the more an objective manifestation exists.
- 3) A governmental unit previously conducted the organization's activity.
- 4) Payment of governmental expenses if the organization defrays the general or specific expenses of a local government or pays part of the government's debt is evidence of a governmental burden.
- 5) Sources of funding – if an organization regularly receives funding from the government in the form of general grants, as opposed to fees for services, there is indication that the government considers the activity to be its burden.
- 6) Whether an activity is one that could be performed directly by a governmental unit.

Revenue Ruling 85-2, 1985-1 C.B. 178, provided that the activities of the organization, rather than its purpose, must be examined to determine whether the organization actually lessens the burdens of government. Also "The fact that an organization is engaged in an activity that is sometimes undertaken by the government was insufficient to establish a burden of government. Similarly, the fact that the government or an official of the government expressed approval of an organization and its activities was also not sufficient to establish that the organization was lessening the burdens of government."

In Indiana Crop Improvements Association Inc. v. Commissioner, 76 T. C. 394, an organization was formed to encourage the improvement of production of corn, soybeans, small grains, and other crops by attention to better seed selection, genetic improvements, agronomic production practices and such other means necessary to improve Indians' field crops. The activities of the organization were conducted in conjunction with Purdue University. The State of Indiana did not have a department of agricultural to regulate agricultural products. Instead, agricultural regulatory functions were delegated by law to Purdue University and the director of the Purdue University Agricultural Experiment Station. Exemption was granted to the organization as an organization that was lessening the burdens of government.



In Better Business Bureau v. United States, 326 U.S. 279-283, (1945), the court held that the existence of a single non-exempt purpose, if substantial in nature, will destroy exemption under section 501(c)(3) regardless of the number or importance of truly exempt purposes.

Nelson v. Commissioner, 30 T. C. 1151, 1154, stated, in part, "Tax exemption is a matter of legislative grace, and an organization seeking an exemption must prove that it "comes squarely within the terms of the law conferring the benefit sought".

#### Issue 4 - IRC 501(c)(4)

Section 501(c)(4) of the Code describes a civic league or organizations as one that is not organized for profit and that is operated exclusively for the promotion of social welfare or local associations of employees, the membership of which is limited to the employees of the designated person or persons in a particular municipality and the net earnings of which are devoted exclusively to charitable, educational or recreational purposes.

Section 1.501(c)(4)-1(a)(1) of the regulations states a civic league or organization may be exempt if: (i) it is not operated for-profit; and (ii) is operated exclusively for the promoting of social welfare.

Section 1.501(c)(4)-1(a)(2) of the regulations states in general that:

(i) 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. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterment and social improvement.

(ii) the promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with a general public in a manner similar to organizations which are operated for profit.

Revenue Ruling 73-349, 1973-2 C. B. 179, stated that an organization formed to purchase groceries for its members at the lowest possible prices on a cooperative basis was not exempt from tax as a social welfare organization under section 501(c)(4) of the Code. The organization was formed for the purposes of purchasing groceries for its membership at the lowest possible prices. It received orders from its members, consolidated them, and purchased the food in quantity. Each member paid for the cost of his food. In addition, each member was assessed an equal monthly service charge by the governing board of trustees for the monthly operating costs of the organization. Membership was open to all individuals in a particular community. The organization was held to be a private cooperative enterprise for the economic benefit or convenience of the members. The organization was operated primarily for the private benefit of members and any benefits to the community were not sufficient to meet the requirement of the regulations that the organization be operated primarily for the common good and general welfare of the people of the community.

Revenue Ruling 80-107 1980-1, C. B. 117, described a membership organization opened to individuals and institutions having a beneficial interest in shares of any public utility company located in a certain state did not qualify for exemption under section 501(c)(4) of the Code. The organization operated primarily for the private benefit of its members rather than the interests of the community as a whole.

**Application of the Law:**

Issues 1, 2, and 3 – IRC 501(c)(3)

Based on our analysis of the information you submitted, we conclude that you do not satisfy the organizational and operational requirements of the Code and regulations to be recognized as exempt under section 501(c)(3) of the Code. The sole operation of your networking platform, Z, not only does not further an educational purpose, but serves the impermissible private benefit of your members in contravention of section 501(c)(3) of the Code.

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

You do not meet the organizational test to qualify for recognition of tax exempt status under section 501(c)(3) of the Code. Your Articles of Agreement do not limit your purpose to one or more exempt purposes as established in Section 1.501(c)(3)-1(b)(1)(i) of the regulations. One of your purposes according to your Articles of Agreement is **to internationally network people and places**. The purpose of international networking, generally fostering global connections between individuals in a business or social context, is a purpose that is beyond the scope of tax exempt purposes under section 501(c)(3) of the Code. Moreover, you fail the organizational test because your Articles of Agreement do not dedicate your assets to an exempt purpose(s) under section 501(c)(3) of the Code as provided in section 1.501(c)(3)-1(b)(4) of the regulations. Your Articles of Agreement contain contradictory provisions regarding the distribution of assets upon dissolution. As currently stated, your Articles of Agreement authorize you to repay capital contributions to private contributors at dissolution. Therefore, your assets are not dedicated exclusively to an exempt purpose(s) under section 501(c)(3) of the Code.

We also hold that you do not satisfy the operational requirement to be recognized as exempt under section 501(c)(3) of the Code. You have not shown that you operate exclusively for the purpose of cultural education. Your stated purpose is to promote intercultural understanding through cultural exchange. To accomplish your stated goal, you operate and maintain the networking website, Z, which enables individuals to create personal profiles, meet other individuals, join discussion groups/forums, establish social contacts and cultivate personal friendships online. Through your networking platform, Z, your members may meet other members online and independently engage in hospitality exchanges offline, in which members travel to destinations of their choice and become an invited guest at another member's home for



a day or two. The operation and maintenance of a networking website, where members may meet individuals from across the globe and find hosts willing to offer them free accommodation during their personal travels for a day or two, is not in and of itself educational. Your networking platform, Z, does not provide instruction or training of the individual for the purpose of improving or developing his capabilities as provided in Section 1.501(c)(3)-1(d)(3) of the regulations. Instead, your website, Z, appears to function as a social medium for individuals to form personal connections and friendships. You have not established that you have an educational methodology that accomplishes your stated goal of public education. You do not conduct or coordinate any educational activities. Any home stays or hospitality exchanges that may occur are arranged by member travelers and hosts independent of you. Moreover, your members are never under any obligation to either travel or to host. Thus, your operation of the networking website, Z, does not further an educational purpose.

You are dissimilar to the organization described in Revenue Ruling 80-286 because do not have a structured educational program to bring about cultural exchanges. Your sole activity is the operation and maintenance of a networking website. Home stays or cultural exchanges, if any, are autonomously arranged and conducted by your members without direct involvement from you. Your website merely provides the platform, enabling your members to meet socially and to engage in hospitality exchanges if they so wish. The organization described in Revenue Ruling 80-286 promoted cultural exchanges by arranging for an American family to exchange one of its children for a child from a family that resides in the foreign country. The organization solicited applications from interested families in both countries, selected and matched qualified families, arranged for transportation to and from the respective countries, and provided a bilingual escort to travel with children between countries. In contrast, you do not conduct any such direct educational program. Thus, you differ from the organization described in Revenue Ruling 80-286.

Analogous to the organization described in Revenue Ruling 67-327 that arranged for group tours for individuals to travel abroad, your operation of a networking website is not in itself the instruction or training of the individual for the purpose of improving or developing his capabilities. You do not conduct an educational program, and any hospitality exchanges that occur between your members are outside of your control and supervision.

You are unlike the organization described in Revenue Ruling 65-191. The organization described in Revenue Ruling 65-191 not only operated a hospitality/community center, the organization also arranged for, presented and sponsored lectures, discussions, musical programs, educational films, language courses and maintained a library, all of which were open to members and the general public. Although your "virtual community center", Z, does provide an environment for social contact by individuals across the globe, you do not conduct any direct educational activities that constitutes the instruction or training of the individual for the purpose of improving or developing his capabilities within the meaning of Section 1.501(c)(3)-1(d)(3) of the regulations.

You differ from the organization described in Revenue Ruling 68-165 because you do not coordinate or operate a program that advances cultural education. The organization described in Revenue Ruling 68-165 promoted student and cultural exchanges, distributed educational

materials and undertook studies on educational needs. Your operation of a networking medium, on the other hand, serves to cultivate social connections but do not enhance cultural understanding other than incidentally.

In addition, you have not demonstrated that you are operated to serve a public rather than a private interest in contravention of section 1.501(c)(3)-1(d)(1)(ii) of the regulations. Your networking platform, Z, not only allows registered members to create personal profiles, meet other members, join discussion groups/forums, post online comments and establish social contacts, but also permits members to pursue free accommodation with a willing host during their personal excursions to destinations around the world. When your members are guests in someone's home, they receive free accommodation and are participating in what is also known as "homestay." Your website, Z, provides a potential listing of names of hosts who are willing to provide free accommodation to members on their personal travel tours to worldwide destinations. The hospitality exchange that you make possible through your website functions to eliminate the cost of hotel accommodations on behalf of your member travelers. This elimination of the cost of hotel accommodation benefits your members more than incidentally and therefore, constitutes impermissible private benefit. Because a substantial purpose of your organization is to confer economic benefits to your members, you are operated to serve a private, rather than, a public interest.

You are like the organization described in Revenue Ruling 69-175, which did not qualify for tax exemption under section 501(c)(3) of the Code because the organization operated to serve a private rather than a public purpose. Akin to the situation described in Revenue Ruling 69-175, where a group parents associated in order to provide a cooperative bus transportation service for their children attending a private school, your networking website enables your members to engage in a cooperative hospitality exchange service that provides free accommodation for member on their private travel tours. When your members associate to provide a cooperative hospitality exchange service for themselves, they are serving a private interest. By making it possible for your members to locate free accommodations through your website, Z, you assist your registered members to reduce their overall cost to travel. Thus, you serve a private rather than a public interest.

Furthermore, your classification of verification fees as donations demonstrates your purpose to serve the private interest of your members rather than the public as a whole. Not only do you provide them with opportunities for free home stays, you also offer a tax deduction to your members by reporting the verification fee as a donation rather as a program service fee. You provide your members a "verification" service, whereby you verify an individual's name and address in exchange for a fee of approximately \$ or equivalent value. Verification is not required. However, members who pay the \$ verification fee or make that \$ suggested donation are verified members. Members who do not pay the \$ verification fee are not classified as verified members. The verification service fee paid is in exchange for the security check service that you perform. Nevertheless, you now report the \$ verification fee as donation on your returns rather than as a service fee. By reporting this service fee as a donation, you operate to advance the private interest of your members rather than to operate for the benefit of the public as a whole.

Finally, you have failed to describe your proposed programs that you may conduct in the future in sufficient detail to show that you are furthering an exclusively educational and or charitable purpose. As described in section 1.501(c)(3)-1(d)(1)(ii) of the regulations and Nelson v. Commissioner, *supra*, the burden is on the applicant organization to demonstrate that it has met the operational test as specified under section 501(c)(3) of the Code. You discussed additional programs such as L, M, scholarship/fellowship program and scientific research in the public interest that you may conduct in the future but have not made any definite commitments to implement. You have no specific plans on such programs. Even if implemented, your scholarship funding program will comprise less than five percent of your overall activities. Your proposed future programs appear to be incidental to your operations of your networking platform, Z. Your primary focus since inception is your website, Z, which provides a networking platform to link travelers and hosts together. All of your resources have been devoted to the operation of your networking website thus far. You have not demonstrated or met your burden that your future proposed programs will be operated within the purview of section 501(c)(3) of the Code.

#### Issue 4 – IRC 501(c)(4)

You are not operated exclusively for the promotion of social welfare or primarily engaged in promoting in some way the common good and general welfare of the community as described under section 501(c)(4) of the Code and section 1.501(c)(4)-1(a)(2) of the regulations because the operation of a cooperative hospitality exchange made available through your website benefits the private interests of your members rather than the public as a whole.

You are similar to the organizations described in Revenue Ruling 73-349 and 80-107 that provided services to members on a cooperative basis and did not qualify for tax exemption under section 501(c)(4) of the Code . Your primary activity is the operation and maintenance of a networking website where you afford members the opportunity to connect with one another and to engage in a cooperative hospitality exchange. Although member travelers must pay for their air travel, the cost normally associated with hotel accommodations is eliminated through free home stays. Thus, you operate primarily for the private benefits of your member travelers rather than for the general welfare or the common good of the people of the community. Therefore, you do not qualify for recognition of tax exemption under section 501(c)(4) of the Code.

#### **Applicant's Position:**

You maintain that you are formed exclusively for charitable, educational, scientific, and social welfare purposes. In addition, your activities lessen the burdens of government.

You contend that the activity of cultural exchange itself is educational and qualifies for exemption under section 501(c)(3). You equate yourself to the organizations described in Revenue Rulings 80-286, 65-191 and 68-165 because your website, Z, functions to facilitate cultural exchange between people of different cultures. You state that you provide educational opportunities to the traveler and to those who welcome the traveler into their homes, and that you inform users how to make best use of their interaction for mutual education and cultural

exchange. You claim that you are similar to the organization described in Revenue Ruling 75-196 in that the benefits conferred to your members are incidental to your overall educational purpose.

You assert that you satisfy the operational test because you conduct scientific research and assist academics in conducting cultural research. You state that your research includes the study of methodologies for creating intercultural understanding, person to person, and that you partner with academic researchers to help them answer questions related to intercultural understanding and furnish them with previously unavailable data recorded from the thousands of instances of cultural exchange between your members.

You claim that you are lessening the burdens of government. You liken yourself to the organizations described in Revenue Rulings 57-38, 85-1 and 85-2 and the court case Indiana Crop Improvement Association, Inc. v. Commissioner, *supra*. You state, in addition, the board of the organization described in Revenue Ruling 76-418 was not appointed by the government and was still held to be lessening the burdens of the government. You provided the following:

...None of the members of the Board have been appointed by the government...

The activity of cultural exchange and home stay has been conducted by the government pursuant to statute as far back as 1948. Recently, the U.S. State Department launched its [F] website. Both the U.S. Department of State's home stay programs and [F] have not been replaced by [you], but [you] have augmented these important governmental activities in a time of economic downturn by providing them free of charge.

The government has spent money on international exchange...It sponsored over 4,500 program participants from approximately 100 countries through grants and cooperative agreements. In the same fiscal year, at no charge to the federal government, [you] facilitated 280,790 exchanges in approximately 210 countries and territories. Since [you] provide the exact same services, the government does not need to finance international exchange to the same degree...

You maintain that you provide relief to the poor and distressed through a possible future program called M. This program will allow for those displaced during a natural disaster, such as a hurricane or tsunami, to find housing through your website and give members an opportunity to travel to an affected area to assist those in need. You state that you are determining the interest of your members in participating in such a program.

Lastly, you believe that your activities are similar to other organizations that have been recognized under section 501(c)(3), and based upon that assumption, you should qualify for exemption.

### **Service's Response to Applicant's Position:**

You have failed to demonstrate that your activities exclusively further a charitable, educational or scientific purpose as described in section 501(c)(3) of the Code or promote a social welfare



purpose as described in section 501(c)(4) of the Code. You do not conduct an education program that advances your stated goal of cultural education. Instead you operate a networking website that appears to be a form of social media; allowing individuals to create personal profiles, meet other individuals, join forums/discussion group and to post messages about personal experiences online. Once registered, member travelers/hosts may engage in self-directed hospitality exchanges offline, whereby travelers may travel to destinations of their choice and become an invited guest at a willing host's home for a day or two. Because your members are not required to either travel or to host, any cultural exchanges that do transpire, transpire independent of you. We do not dispute that cultural exchange programs may promote international understanding and cultural education. However, the cultural exchanges that do take place between your members are haphazard and not attributable to any direct involvement on your part. The operation of a social networking website, such as Z, does not in itself further an educational purpose. Moreover, the operation of the social networking website, Z, appears to further a social and recreational purpose that is beyond the scope of exempt purposes under section 501(c)(3) or section 501(c)(4) of the Code. Thus, you have not demonstrated that you have an educational methodology that accomplishes your stated goal of public education.

You equate your activities to those of the organizations described in Revenue Rulings 65-191, 68-165, and 80-286. However, unlike the organizations described in those revenue rulings, you do not operate a cultural exchange program or conduct any other educational program that furthers an educational purpose. Your sole activity is the maintenance and operation of your networking website, Z, enabling your members to engage in social interactions and to participate in a cooperative hospitality exchange if they so wish. Any cultural or educational advances that occur between members travelers and hosts are incidental to your overall activities and are not within your control or supervision. You indicated that you inform users how to make best use of their interaction for mutual education and cultural exchange. However, the travel guide that contains information on a country's history, geography and culture was created by your members for your members and is housed in a different website apart from Z. Therefore, you do not operate an educational program that furthers an educational purpose.

Furthermore, you operate to serve a private rather than a public interest in contravention of section 1.501(c)(3)-1(c)(1) and section 1.501(c)(3)-1(d)(1)(ii) of the regulations. By making free accommodations to your members available during their personal vacations or travel tours, you serve private interests of your members more than incidentally. As you acknowledged, your "website has been purposefully designed and written to attract more users by appealing to their desire for adventure rather than their sense of charitable duty." Your members are attracted to your website, Z, due to the prospect of participating in a cooperative hospitality exchange that will grant them the economic benefit of not having to pay for hotel accommodations when they travel. Your networking website appears to be formed for the primary purpose of providing free accommodations to your members during their personal vacations or travel tours. Additionally, you offer your members the opportunity of a tax deduction by reporting verification fees paid in exchange for services rendered as donations rather than as program service fees. Because a substantial purpose of your organization is to confer economic benefits to your members, you are operated to serve a private, rather than, a public interest.

You are not similar to the organization described in Revenue Ruling 75-196 because the

benefits you bestow to your members, opportunities for free accommodation during vacations or travel tours, is not a necessary by-product of an educational process. Unlike the organization in Revenue Ruling 75-196 that operated a law library, you do not operate any such structured educational program. Therefore, the benefits you grant to your members, opportunities for free accommodation during vacations or travel tours, is not a necessary by-product in order to achieve an educational purpose. Your members are induced to register on your website due to the prospect of obtaining free accommodations when they travel. Thus, the elimination of hotel costs for your members when traveling is more than an incidental benefit and constitutes impermissible private benefit to your members.

You do not provide services to a charitable class of individuals. Young adults, despite being a group that typically has limited financial resources, do not constitute a charitable class of individuals. Unlike the organizations described in Revenue Rulings 65-191, 68-165 and 80-286, that operated cultural exchange programs targeted at students, any registered members may benefit from free home stays through your website, regardless of age or income. Moreover, services geared toward a different, targeted group of travelers or the facilitating of travel to destinations not offered by the travel industry, do not in itself make an organization charitable or educational within the meaning of section 501(c)(3) of the Code. Not only do you provide your members the benefit of free home stays, you also offer a possible tax deduction to them by classifying verification service fees as donations. You are similar to the organization described in Better Business Bureau v. United States, *supra*, because like it, you are formed for a nonexempt purpose. The main beneficiaries of your operation are your members. Any educational or charitable services that you may have are insubstantial and secondary to your core purpose of providing a medium for members to obtain a more cost effective way to travel.

You do not qualify as an educational organization conducting scientific research for the benefit of the general public as defined in sections 1.501(c)(3)-1(d)(5) and 1.501(c)(3)-1(d)(5)(iii) of the regulations. Your scientific research is a "survey" that is completed by your members known as Rs. The survey results "serve to provide travel planning and travel information for travelers and home-stay hosts" on your website. The information encourages other travelers/hosts to participate in your program. The results of the survey are restricted to members and are not available to the general public. The actual objective of your research is to benefit your members through information that assist them in future travels. Thus, you do not conduct scientific research for the benefit of the general public as defined in sections 1.501(c)(3)-1(d)(5) and 1.501(c)(3)-1(d)(5)(iii) of the regulations. We acknowledge that you may provide survey data to research organizations. However, this comprises an incidental component of your overall activities.

You are not lessening the burdens of government. You are not similar to the organizations described in Revenue Rulings 57-38, 76-418, 85-1 and 85-2 and the court case Indiana Crop Improvement Association, Inc. v. Commissioner, *supra*. You do not meet a majority of the factors listed in Revenue Rulings 85-1 to demonstrate that you are lessening the burdens of government including:

- You are not formed pursuant to a state statute.
- Governmental agencies do not have any level of control over the internal operations of

- your organization.
- A governmental unit has not previously conducted your organization's activities.
  - You do not pay expenses related to activities of a governmental agency.
  - You do not receive any form of funding from governmental grants, and all of your income is from fees from verification services and donations from your members.
  - You are not engaged in an activity that could be performed by a governmental unit. You maintain that the U.S. Department of State's Bureau of Educational & Cultural Affairs may have established a similar networking website. However, that website appears to be an integral component of an overall structured educational exchange program for students, scholars, teachers and administrators. Unlike your organization, a governmental agency has not provided a cooperative hospitality exchange service open to its membership.

You are not lessening the burdens of government. The fact that there is no interrelationship between you and a governmental function is a strong indication that governmental agencies do not consider your activity to be its burden. No governmental agency has designated you as an instrument for promoting cultural exchange on its behalf. In addition, you do not actually lessen the burdens of government as provided in Revenue Ruling 85-2. The fact that an organization is engaged in an activity that is sometimes undertaken by the government is insufficient to establish a burden of government. Additionally, the role of the governmental agencies such as U.S. Department of State's Bureau of Educational & Cultural Affairs is one of cultural education for the community as a whole. Your cooperative hospitality exchange service benefits your members more than incidentally. The private interests served by your activities outweigh the public interests served. Therefore, exemption on the basis of lessening the burdens of government is inappropriate.

Furthermore, you do not provide relief to the poor and distressed because your possible future program such as M may or may not materialize. You have made no commitment to operate such programs and have not described the program in adequate details to ensure that it will be operated in an exempt manner as provided in section 1.501(c)(3)-1(d)(1)(ii) of the regulations.

Lastly, you believe that you are exempt from federal income tax because other similar organizations have received recognition under section 501(c)(3). However, each determination is based on facts, and the qualification or operations of another organization has no bearing on your application. You have the burden of proving that you satisfy the requirements of the statute under which you have applied for in accordance with section 1.501(c)(3)-1(d)(1)(ii) of the regulations. You have failed to meet those requirements.

#### Conclusion:

Based on the information you presented, you do not meet the organizational or operational test to qualify for exemption under Internal Revenue Code section 501(c)(3). You do not meet the organization test because the purpose of international networking, generally fostering global connections between individuals in a business or social context, is a purpose that is beyond the scope of tax exempt purposes under section 501(c)(3) of the Code. In addition, your Articles of Agreement authorize you to repay capital contributions to private contributors at dissolution.



Therefore, your assets are not dedicated exclusively to an exempt purpose(s) under section 501(c)(3) of the Code.

Moreover, you have not shown that you are operating exclusively for the purpose of cultural education. You do not have an educational methodology to bring about cultural education. As your members are not required to host or to travel, any cultural exchanges that occur are independent of your control and supervision. You are operated to serve a substantial nonexempt private purpose. Your website allows your members to engage in a cooperative hospitality exchange that functions to eliminate the cost of hotel accommodations during vacations or travel tours. Because a substantial purpose of your organization is to confer economic benefits to your members, you are operated to serve a private, rather than, a public interest. You do not lessen the burdens of government as you do not share an interrelationship with any of the regulatory agencies which would demonstrate that your activity is a burden of government. Moreover, the private interests served by your activities outweigh the public interests. Therefore, you are not operated primarily for the common good of the community. You are not a social welfare organization as described in section 501(c)(4) of the Code or any other section of the Code.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the 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. 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. If you want representation 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. You can find more information about representation in 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](http://www.irs.gov), Forms and Publications.

If you do not file a protest within 30 days, you will not be able to file a suit for declaratory judgment in court because the Internal Revenue Service (IRS) will consider the failure to appeal as a failure to exhaust available administrative remedies. Code section 7428(b)(2) provides, in part, that a declaratory judgment or decree shall not be issued in any proceeding unless the Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted all of the administrative remedies available to it within the IRS.

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. That letter will provide information about filing tax returns and other matters.

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

Mail to:

Internal Revenue Service  
EO Determinations Quality Assurance  
Room 7-008  
P.O. Box 2508  
Cincinnati, OH 45201  
Attn:

Deliver to:

Internal Revenue Service  
EO Determinations Quality Assurance  
  
Cincinnati, OH 45202  
Attn:

You may 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,

Lois Learner  
Director, Exempt Organizations

Enclosure: Publication 892