



**Department of the Treasury
Internal Revenue Service**

P.O. Box 2508
Cincinnati, OH 45201

Release Number: **201718036**
Release Date: 5/5/2017

Date:
February 9, 2017

Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

UIL: 501.00-00, 501.33-00

Dear _____ :

This letter is our final determination that you don't qualify for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (the Code). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

Because you don't qualify as a tax-exempt organization under Section 501(c)(3) of the Code, donors can't deduct contributions to you under Section 170 of the Code. You must file federal income tax returns for the tax years listed at the top of this letter using the required form (also listed at the top of this letter) within 30 days of this letter unless you request an extension of time to file.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection (as required under Section 6110 of the Code) 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 the Notice 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

We'll also notify the appropriate state officials of our determination by sending them a copy of this final letter and the proposed determination letter (under Section 6104(c) of the Code). You should contact your state officials if you have questions about how this determination will affect your state responsibilities and requirements.

If you have questions about this letter, you can contact the person listed at the top of this letter. If you have questions about your federal income tax status and responsibilities, call our customer service number at 1-800-829-1040 (TTY 1-800-829-4933 for deaf or hard of hearing) or customer service for businesses at 1-800-829-4933.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4036, *Proposed Adverse Determination Under IRC Section 501(c)(3)*

Redacted Letter 4038, *Final Adverse Determination Under IRC Section 501(c)(3) - No Protest*



**Department of the Treasury
Internal Revenue Service**

P.O. Box 2508
Cincinnati, OH 45201

Date: December 14, 2016

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

UIL:

501.00-00

501.33-00

Legend:

Y = State

Z = Date of formation

Dear _____ :

We considered your application for recognition of exemption from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). Based on the information provided, we determined that you don't qualify for exemption under Section 501(c)(3) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under Section 501(c)(3) of the Code? No, for reasons stated below.

Facts

You were formed in the state of Y on Z. Your Articles of Incorporation state that you are formed exclusively for charitable, religious or educational purposes within the meaning of Section 501(c)(3) of the Code.

You were formed specifically to assist individuals in paying off federal student loans. You raise grants from sponsors to assist in the repayment of federal student loans owned by current and former students in the United States. Through your website you provide information about federal student loan debt, repayment options available to individuals in debt, and you collect funds from potential sponsors interested in assisting students and former students who are in debt. Sponsors make tax-deductible contributions to you through your website and can also identify how funds are applied. You disclose to your sponsors that you will make every effort to apply their donations as they intend the money to be applied. In the event that a matching recipient's loans have already been paid in full, a matching recipient cannot be located, or a matching recipient has removed themselves from the recipient list, the funds will be applied as your board of directors stipulates.

The goal of your program is to extend financial assistance directly to the federal student loans held by recipients in the United States, thereby effectively relieving them of the burden of the federal student loans, boosting the income-producing capabilities of these recipients, and boosting the economy of the United States by allowing recipients to apply their income to other economic interests.

Your process is as follows:

- Recipients register with your website to request assistance.
- Recipients upload copies of their federal student loan repayment statements in order for your staff to verify the validity of the loans through the lenders prior to funds being distributed.
- Upon validation of the federal student loans, recipients are given a registration number which they can share with family, friends, and employers, or via social media asking for donations to their profile through our website.
- Upon receipt of funds, you coordinate with the lending institution to apply funds to the recipient's federal student loan accounts up to the outstanding amount payoff of each loan (if applicable).
- If excess funds remain, it will be transferred to the general fund for distribution in a manner determined by the board of directors to other recipient profiles.

You transfer collected funds directly to the loan accounts held by recipients registered and vetted through your website. Specifically, the funds are electronically transferred to federal student loan accounts held by the recipients through the lending institution's website. Individuals will never be given funds directly.

You will verify and validate each federal student loan with a statement provided by the recipients. If a federal student loan cannot be validated with the lending institution, no funds will be distributed on behalf of that recipient, and the funds will be retained in the general fund until such time as the board of directors has determined that the recipient's alleged federal student loan is not valid, and then distribute those funds to other validated federal student loans.

You will collect funds from United States based partners, sponsors, and businesses and will electronically transfer these funds to the federal student loans according to the guidelines/intentions of the sponsor. You will ensure that the recipients selected meet the guidelines/intentions of the sponsor(s).

You solicit donations to cover operating expenses, such as personnel salaries, information technology costs associated with operating your website and travel. You collect a percentage of each donation to fund your operating expenses. When operating expenses have been met, you will apply the excess to recipients' federal student loans as the board of directors stipulates.

Sponsors can donate to your operating costs, the general fund (which will then be distributed as the board of directors determines), to specific recipient registration number(s) or to recipient demographics as listed in your vetted database.

Law

Section 501(c)(3) of the Code exempts from federal income tax corporations organized and operated exclusively for charitable, educational, and other purposes, provided that no part of the net earnings inure to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) 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.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) provides that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of

such exempt purposes specified in Section 501(c)(3) 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.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) provides that an exempt organization must serve a public rather than a private interest.

Rev. Rul. 67-367, 1967-2 C.B. 188 describes a nonprofit organization whose sole activity is the operation of a 'scholarship' plan for making payments to pre-selected, specifically named individuals does not qualify for exemption from Federal income tax under Section 501(c)(3) of the Code.

Rev. Rul. 69-175, 1969-1 C.B. 149 describes an organization formed by parents of pupils attending a private school, in order to provide school bus transportation for its members' children. When a group of individuals associate to provide a cooperative service for themselves they are serving private interests. By providing this transportation the organization enabled the parents to fulfill their individual responsibility of transporting their children to school. It was determined that this organization serves a private rather than a public interest and does not qualify for exemption under Section 501(c)(3) of the Code.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court stated that the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption under Section 501(c)(3) of the Code, regardless of the number or importance of statutorily exempt purposes. Thus, the operational test standard prohibiting a substantial non-exempt purpose is broad enough to include inurement, private benefit, and operations that further nonprofit goals outside of the scope of Section 501(c)(3).

In Old Dominion Box Co. v. United States, 477 F2d 344 (4th Cir. 1973) cert. Denied 413 U.S. 910 (1973) the court held that operating for the benefit of private parties constitutes a substantial non-exempt purpose.

Application of law

You are not exempt under Section 501(c)(3) of the Code because you are not operated exclusively for charitable or educational purposes; rather, you are operated for the private benefit of individuals. Accordingly, you fail the operational test described in Treas. Reg. Section 1.501(c)(3)-1(a)(1).

You are not described in Treas. Reg. Section 1.501(c)(3)-1(c)(1) because more than an insubstantial part of your activities are devoted to the non-exempt private purpose of providing a funding mechanism for individuals to raise funds to pay their student loan debt. Individuals who register their loans on your website receive a substantial private benefit causing your program to further a substantial non-exempt private purpose.

You are not as defined in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) because you are operating for the private interests of individuals. Much like the organization in Old Dominion, you are operating for the benefit of private parties, which constitutes a substantial non-exempt purpose and precludes you from exemption under Section 501(c)(3) of the Code.

You are similar to the organization described in Rev. Rul. 67-367. Like the organization in that ruling your sole activity is making payments to preselected specifically named individuals who register to have their personal loans paid for through your website.

Like the organization described in Rev. Rul. 69-175, by allowing for sponsors to select and pay for individually held accounts, you provide individuals a means to fulfill their individual responsibility of paying their student

loans. Therefore, you are serving substantial private, rather than public, interest, barring you from exemption under Section 501(c)(3) of the Code.

As stated in Better Business Bureau, a single non-exempt purpose, if substantial, will preclude tax exemption under Section 501(c)(3) of the Code. Although your activities may have some incidental educational value, your activities primarily serve the private interests of individuals who register their loans on your website.

Conclusion

Based on the facts and information submitted, you are not operated exclusively for exempt purposes. You are operating for the private interests of individuals who register to have their loans paid for on your website. Accordingly, you do not qualify for exemption under Section 501(c)(3) of the Code. Contributions to you are not deductible under Section 170 of the Code.

If you don't agree

You have a right to file a protest if you don't agree with our proposed adverse determination. To do so, you must send a statement to us within 30 days of the date of this letter. The statement must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with
- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative
- One of the following declarations:

For an officer, director, trustee, or other official who is authorized to sign for the organization:

Under penalties of perjury, I declare that I examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

For authorized representatives:

Under penalties of perjury, I declare that I prepared this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, *Power of Attorney and Declaration of Representative*, with us if he or she hasn't already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of Attorney*.

We'll review your protest statement and decide if you provided a basis for us to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't provided a basis for reconsideration, we'll forward your case to the Office of Appeals and notify you. You can find more information about the role of the Appeals Office in Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

Where to send your protest

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

U.S. mail:

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

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You can also fax your statement and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that he or she received it.

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

You can find all forms and publications mentioned in this letter on our website at www.irs.gov/formspubs. If you have questions, you can contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892