



Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Release Number: **201832013**
Release Date: 8/10/2018

Date:
May 15, 2018
Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

UIL: 501.00-00, 501.03-05, 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,

Stephen A. Martin
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:
March 29, 2018
Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

E = Individual
F = Individual
G = State
H = Date of formation

UIL:
501.00-00
501.03-05
501.33-00

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 meet the organizational test under Section 501(c)(3) of the Code? No, for the reasons stated below.
- Do you meet the operational test under Section 501(c)(3) of the Code? No, for the reasons stated below.

Facts

You were incorporated in the state of G on H. Your purpose, as indicated in your Articles of Incorporation, is to promote the educational and socio-economic well-being of the lineage of E and F and the descendants thereof. Your Articles are silent regarding the disposition of your assets upon your dissolution.

Your Bylaws state that E, F, and their siblings were direct descendants of slaves from a plantation in the state of G. E and F, as was common during the agricultural age, raised large families which have flourished in number, but to a lesser degree in fiscal and economic prosperity. A substantial portion of their descendants and their siblings are lacking an advanced education and/or lack the necessary skills to be equipped in the globally competitive job market. A virtually insignificant number of the descendants own productive businesses or shares therein. The fourth and fifth generations of the descendants are less prepared to meet the needs and expectations of a global economy than the previous generations, especially as it related to global competitiveness and business ownership.

Your Bylaws also state that you are formed and organized for the purpose of promoting the social-economic well-being of the lineage of E and F and the descendants thereof. Lineage is hereby defined as any person who is a direct descendant, by birth, of the union of E and F, or one of their siblings, any person who is married to a descendant of the union of E and F, or their siblings, and any person who has become a descendant of the union of E and F, or their siblings, by familial status (including, but not limited to, adoption).

Your Bylaws further states that your mission is to promote the core values initiated and established by E and F (Christian faith, marriage, education, economic development, and community development), and to enhance the social-economic and educational opportunities of your members through information dissemination, mentoring, providing unilateral support as part of numerous collective efforts by and/or for the descendants of E and F with the primary objective of building a more nationally and globally competitive nucleus of entrepreneurs and professionals.

Your Bylaws state that general membership shall consist of the following:

- Each direct and indirect surviving second generation descendant, and/or the descendants thereof (including those descendants granted membership by birth, adoption, marriage, and/or familial status) of the lineage of E and F
- A descendant(s) of a sibling of E, and
- A descendant(s) of a sibling of F.

The population of your group is estimated to be a few thousand individuals. The majority still live in a particular region of the United States and the rest are spread throughout the country.

Your Bylaws state that your central objective is to uplift and enhance the socio-economic well-being of your members who can demonstrate clear need for assistance to become more globally competitive. You described your specific activities, as follows:

- a. Conduct genealogical and other related or applicable research on descendants of E, F and their siblings and descendants thereof, all of whom are members. You will verify that the applicants for financial assistance are part of the prescribed lineage.
- b. Conduct annual research on the socio-economic, educational and entrepreneurial needs of your members. You compile and disseminate information on nationally and internationally competitive skill sets in order to build technical assistance and mentorship networks/tools, you will need to compile information on skill sets you have among the population and the board members. Where the necessary skill sets do not exist, you will need acquire technological and professional skill set expertise and tools for outside the populations pool, i.e. non-related board members, selected because of their networks or skill sets and other agencies with knowledge of international development trends and concepts and other organizations.
- c. Establish lines of communication with the siblings and descendants identified as a result of related and applicable research. You will develop and implement an effective information dissemination machinery primarily for career development and emerging job and skill set trends world-wide. You are planning the deployment of an information dissemination structure, using semi-secure select social media outlets or a direct contact method to pass the information on the population members and encourage them to focus on area of interest, but primarily those in high or emerging demand.

- d. Develop, maintain, and manage a treasury and fund account(s) to be used for your purpose(s).
- e. Establish a scholarship fund/program designed to assist descendants of the union in attaining marketable academic and technical skills. You will solicit funds from your members, friends and other foundations or organizations for granting educational financial and related assistance to members who need help in pursuing leading edge or emerging career skills (college or technical degrees). A committee appointed by the board will develop the criteria under which the scholarship(s) will be granted and will include recommended safeguards against bias or prejudice.
- f. Establish a market assessment capability designed to compile, analyze, and disseminate information to your members that will assist them in identifying resources/tools wherein your members may, collectively or individually, monitor events and issues that could have an impact and disseminate information to the members relating thereto.
- g. Establish a fund or resource whereby the members may provide charitable assistance and related events as necessary for the development, growth, and your operation and your members. Your board will solicit funds from members and other organizations that can provide such financial assistance for research, training and educational grant assistance in critical leading-edge skill sets. The board will also develop a system whereby a person or persons may be granted assistance for travel, investigation and other areas to access information on new technologies or skill sets that are in short availability and high demand, but growing and prevalent in leading economies.
- h. Conduct research and disseminate market and career related information to members for the purpose of identifying and engaging a person or persons within the lineage.
- i. Other activities that will promote your socio-economic well-being and your members.

You have three officers and/or directors. Your application states that your current officers and/or directors are all related.

You plan to do a lineage study, primarily for scholarship purposes, on an as-needed basis, to determine if the person applying for assistance is a descendant of E and F and their siblings. This could include a person's identity with the family tree going back to origin of the family during the immediate aftermath of the slavery era and, if warranted, possibly DNA analysis to determine such identity.

You will attempt to raise grants and donations to support your cause. You expect small amounts of revenue initially, as you will need time to probe your ability to successfully carry out the tasks described. The funds will be distributed to educational institutions for scholarships and expenses related to career advancement. The recipient selection process will be developed in the first year of operations as an exempt organization.

Law

Section 501(c)(3) of the Code provides for exemption from federal income tax of organizations organized and operated exclusively for educational or charitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

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

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) 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, otherwise than as an insubstantial part of its activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(iv) 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) of the Code.

Treas. Reg. Section 1.501(c)(3)-1(b)(4) holds that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) states that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more 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) states that an organization is not operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

Rev. Rul. 61-170, 1961-2 C.B. 112, holds that a nurses' association, which maintains an employment register primarily for the employment of its members, is not entitled to exemption under Section 501(c)(3) of the Code. The organization is primarily engaged in the performance of personal services by operating an employment service principally for the benefit of its members. Public participation in the management and support of the organization is negligible. It draws its support primarily from members, and a board of trustees composed of professional nurses controls the organization without public participation of any kind. Therefore, the organization is not free from substantial private benefit considerations in the operation of the nurses' register.

Rev. Rul. 66-103, 1966-1 C.B. 134, holds that an organization whose primary activity is to provide awards and grants, including scholarship and fellowship grants to needy individuals who would otherwise not be able to pursue their studies for lack of funds and with no monetary benefits to the donor organization, qualifies for exemption under Section 501(c)(3) of the Code. The organization is primarily engaged in a charitable activity of providing relief of the poor.

Rev. Rul. 69-175, 1969-1 C.B. 149, holds that a nonprofit organization formed by parents of pupils attending a private school that provides school bus transportation for its members' children serves a private interest rather than a public interest. The organization's income approximately equals the expenses involved in its operations. The organization does not qualify for exemption under Section 501(c)(3) of the Code.

Rev. Rul. 69-257, 1969-1 C.B. 151, holds that an organization providing scholarships selected from a broad class of applicants on the basis of scholastic standing, qualifies for exemption under Section 501(c)(3) of the Code. The organization is primarily engaged in the charitable activity of advancing education.

Rev. Rul. 80-301, 1980-2 C.B. 180, holds that a genealogical society whose membership is open to all persons in a particular area and that provides instruction genealogical research techniques and does not perform genealogical research for its members, is operated exclusively for educational purposes and qualifies for exemption under Section 501(c)(3) of the Code.

Rev. Rul. 80-302, 1980-2 C.B. 182, holds that an organization that (1) limits its membership to descendants of a particular family (2) compiles family genealogical research data for use by its members for reasons other than to conform to the religious precepts of the family's denomination, (3) presents the data to designated libraries, (4) publishes volumes of family history, and (5) promotes social activities among family members does not qualify for exemption under Section 501(c)(3) of the Code.

Rev. Rul. 81-58, 1981-1 C.B. 331, describes an association composed of officers of a police department in a particular community. The association was created for educational purposes and to provide a lump sum payment to each member upon retirement or a lump sum payment to beneficiaries upon the member's death. The organization's primary sources of income are from contributions by the general public and through fund raising events. Its income is used to provide direct economic benefits to members. Although the class of employees benefited by the organization consists of police officers, engaged in the performance of essential and hazardous public services and there is an incidental benefit provided by the organization to the larger community, the fact remains that the primary benefits from the organization are limited to its members. Therefore, the organization is not operated exclusively for exempt purposes within the meaning of Section 501(c)(3).

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Court held that the presence of a single non-exempt purpose, if substantial in nature, will preclude exemption regardless of the number or importance of statutorily exempt purposes.

In Callaway Family Association, Inc. v. Commissioner, 71 T.C. 340 (1978), the court held that a family association formed as a nonprofit organization to study immigration to and migration within the United States by focusing on its own family history and genealogy does not qualify for exemption under Section 501(c)(3) of the Code. The association's activities included researching the genealogy of its members for the ultimate purpose of publishing a family history. The court stated that the association's family genealogical activities were not insubstantial and were not in furtherance of an exempt purpose. Rather, they served the private interests of the members. Thus, the association was not operated exclusively for exempt purposes.

In Benjamin Price Genealogical Association v. Internal Revenue Service, 79-1 U.S.T.C. P9361 (D. D.C. 1979), the Court held that an organization formed to disseminate information on, and to preserve documents relating to, the genealogy of Benjamin Price did not qualify for exemption under Section 501(c)(3) of the Code because it was created and operated primarily for the benefit of the private interests of its members rather than exclusively for educational purposes.

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."

Application of law

As explained in Treas. Reg. Section 1.501(c)(3)-1(a)(1), to be exempt as an organization described in Section 501(c)(3) of the Code, you must be both organized and operated exclusively for one or more of the purposes specified in such section. Because you are neither organized nor operated exclusively for exempt purposes, you are not exempt.

Organizational Test

Your Articles of Incorporation state you are organized to promote the educational and socio-economic well-being of the lineage of E and F and their descendants. You do not meet the organizational test since your purpose is beyond the scope Section 501(c)(3) of the Code as stated in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(iv).

Additionally, your Articles do not include a dissolution clause. As stated in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) and 1.501(c)(3)-1(b)(4), to demonstrate that it is organized exclusively for exempt purposes, thus satisfying the organizational test, an organization must have a valid purpose and dissolution clause. You do not have a proper purpose or dissolution clause; therefore, you are not organized for exempt purposes as described in Section 501(c)(3) of the Code.

Operational Test

You do not meet the operational test of Section 501(c)(3) of the Code because you are not operating exclusively for charitable purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). You do not meet the provisions of Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) because you are operating for the private interests of your members, rather than the general public.

You are like the organization described in Rev. Rul. 61-170 in that you solicit funds from your members, other individuals, and organizations to provide scholarships to your members. You are similar to the organization described in Rev. Rul. 81-58 in that you provide substantial benefits to your members and not the general public.

You will collect and provide funds to support the decedents of E, F and their siblings. Therefore, the scholarships you provide would not necessarily be granted on the basis of need as described in Rev. Rul. 66-103 or educational merit as described in Rev. Rul. 69-257.

You are similar to the organization described in Rev. Rul. 69-175 in that your primary activity is to provide awards and grants to your members who are descendants of E, F and their siblings. You serve a private interest rather than a public interest and do not qualify for exemption under Section 501(c)(3) of the Code.

Unlike the organization described in Rev. Rul. 80-301, you only perform genealogical research for your members, and not the general public. You are like the organization described in Rev. Rul. 80-302 which states that organizations that focus on gathering materials and performing genealogical research relating to one family

group are operated for the private interests of members of that family group and are not described in Section 501(c)(3) because a substantial part of their activities benefitted the private interests of members of that family group. See also Callaway Family Association and Benjamin Price Genealogical Association.

Even if an organization does conduct some educational activities, if its activities in furtherance of the private interests of a particular family group are more than insubstantial, it does not qualify for exemption under Section 501(c)(3) of the Code, as described in Better Business Bureau of Washington, D.C., Inc. Your scholarship programs and your genealogical research for your family furthers the substantial non-exempt purpose of benefitting your members. Therefore, you do not qualify for exemption under Section 501(c)(3) of the Code.

Your position

You provided additional information which states that you had applied for exemption previously but had withdrawn your application when the specialist reviewing your application suggested you add board members that are not family members. You stated at the next general membership meeting, you made the changes as recommended as reflected in your current Bylaws. You also state that if our interpretation that any action of the Board would benefit a family member that would imply that any person who was possible a 5th, 10th, 20th or 50th cousin is still considered a relative and as such, could potentially apply to most every person in the United States. If that were so, then most every application we received could fall into that some category. You said that the definition of family relations ends after the 3rd and 4th cousin.

Our response to your position

You do not meet the requirements for tax exemption under Section 501(c)(3) of the Code. You collect funds from members and from the general public and use those funds to provide financial support only to individuals who are decedents of E, F and their siblings. You also conduct genealogical research for the members of a particular family lineage. Your activities benefit a particular family, and not the general public.

Conclusion

Based on the information submitted, you are not organized or operated exclusively for exempt purposes within the meaning of Section 501(c)(3) of the Code. Your formation document does not limit your purposes to those described in Section 501(c)(3) and is silent regarding the disposition of your assets upon dissolution. Additionally, you are not operating exclusively for exempt purposes; rather, you are formed for the benefit of your members, who are all descents of a particular family. Accordingly, we conclude you do not qualify for exemption under Section 501(c)(3).

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892