



**Department of the Treasury
Internal Revenue Service**

P.O. Box 2508
Cincinnati, OH 45201

Release Number: 201838008
Release Date: 9/21/2018
UIL Code: 501.00-00
501.03-05
501.03-30
501.33-00

Date:
June 26, 2018
Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

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: May 4, 2018

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

B = Date

C = State

D = Location

w dollars = Amount

x dollars = Amount

y dollars = Amount

UIL:

501.03-00

501.03-30

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 the reasons stated below.

Facts

You formed on B in the state of C as a nonprofit mutual benefit nonprofit corporation. Your Articles of Incorporation did not state a purpose for which you are formed and provided that upon dissolution, assets will be distributed to the last people in the group.

Your bylaws indicate that you were formed to connect professionals in the wedding industry in D. You are a membership organization and membership is open to any businesses that provide services for weddings including but not limited to caterers, bakers, printers, event venues, limousine services and photographers. You will not restrict any categories for the types of businesses that may become members as long as they are associated with the wedding industry.

You have monthly meetings for your members to share ideas, to meet other professionals and to build professionalism in the wedding industry. You also provide speakers who focus on topics to promote healthy small businesses such as insurance needs and marketing as well as business development. Members are encouraged to bring guests. Furthermore, you will operate a website which will have your members listed with links and information to contact them as well as details on upcoming meetings and events.

You have no membership application, but collect necessary contact information. You charge membership dues of w dollars per business. The cost for the monthly meeting for members is x dollars while the cost for guest is y dollars. The locations of your meetings vary but typically take place at one of your member's or potential member's place of business.

Your revenue is generated from members' fees and meetings. Your expenses consist of website expenses as well as outlays for printing and promotional items that your members may use to handout to potential clients. You are governed by a volunteer board comprised of three elected positions which are the president, vice president, and treasurer.

Law

Section 501(c)(3) of the Code provides that corporations may be exempted from tax if they are organized and operated exclusively for charitable or educational purposes and no part of their net earnings inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that, to be exempt as an organization described in 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 test or the 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 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)(4) holds that that an organization's assets must be dedicated to an exempt purpose, either by an express provision in its governing instrument or by operation of law.

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 that 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.

Revenue Ruling 71-504, 1971-2 CB 231 describes a city medical society, exempt under section 501(c)(6) of the Code, that because it primarily directed its activities to the promotion of the common business purposes of its members could not be reclassified as an educational or charitable organization 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 held that the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption regardless of the number or importance of truly exempt purposes.

Application of law

You are not described in Section 501(c)(3) of the Code and in Treas. Reg. Section 1.501(c)(3)-1(a)(1) because you are not organized or exclusively operated for charitable or educational purposes.

You do not meet the organizational test for Section 501(c)(3) of the Code because your Articles of Incorporation do not have a purpose clause limiting your purposes to those described in Section 501(c)(3) of the Code as required by Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i). In addition, your Articles of Incorporation do not dedicate your assets upon dissolution to an exempt purpose under Section 501(c)(3) of the Code as required by Treas. Reg. Section 1.501(c)(3)-1(b)(4). This also causes you to fail the organizational test under Section 501(c)(3) of the Code.

You are operating for a substantial nonexempt purpose in violation of Treas. Reg. Section 1.501(c)(3)-1(c)(1) because more than an insubstantial part of your activities is not in furtherance of an exempt purpose. For example, you are operating to promote networking among your members as well as promote professionalism in the wedding industry. This precludes you from exemption under Section 501(c)(3) of the Code.

You are like the organization described in Revenue Ruling 71-504 because you conduct activities that may be charitable and educational such as hosting speakers on educational topics at your meetings but you also conduct activities that are directed primarily at the promotion of the wedding industry in D. For example, your activities promote networking among the businesses in the wedding industry as well as professionalism among these businesses. Therefore, the activities directed at promoting the wedding industry preclude you from exemption under Section 501(c)(3) of the Code.

You are like the organization in Better Business Bureau v. United States. Although you may have some educational and charitable purposes including providing speakers on educational topics for small businesses, this is secondary to promoting networking and professionalism in the wedding industry. The presence of this non-exempt purpose precludes you from exemption under Section 501(c)(3) of the Code.

Conclusion

Based on the information submitted, you are not organized nor operated exclusively for one or more purposes described in Section 501(c)(3) of the Code. Even though some of your activities may be educational, you are conducting activities to promote the wedding industry which serves a substantial non-exempt purpose. Therefore, you are not described in Section 501(c)(3) of the Code.

Accordingly, you must file federal tax returns and 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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892