



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 45201

Number: 202129016
Release Date: 7/23/2021

Date:
04/27/2021
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

UIL: 501.00-00, 501.03-00, 501.35-00

Dear _____ :

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3). 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 IRC Section 501(c)(3), donors generally can't deduct contributions to you under IRC Section 170.

We may notify the appropriate state officials of our determination, as required by IRC Section 6104(c), by sending them a copy of this final letter along with the proposed determination letter.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit www.irs.gov.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. 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.

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

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4034

Redacted Letter 4038

cc:



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

Date:
02/02/2021
Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

C = Date
D = State
E = Digital currency

UIL:

501.00-00
501.03-00
501.35-00

Dear _____ :

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

Issues

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

Facts

You were formed as a corporation on C in the state of D. According to your Articles of Incorporation, your purpose, in part, is to develop and distribute open source software, organize conferences on open source software, and participate in government and industry funded R&D programs that aim to develop and promote the use of open source libraries and repository for the advancement of digital currency technology.

You are organized to improve digital currency technology by coordinating a global community to collaboratively develop a freely available, user-driven, open source software that may be used to allow access to the industry of cryptocurrency. You describe yourself as a software developer toolkit of open source libraries that organizes the essential components of E and prioritizes its stability, security, and accessibility. Building and meticulously maintaining the code in this way makes it easier for developers to build E applications and presents a navigable gateway for newcomers to understand how all the components of E come together.

You operate a free and open-source community project that advances core E protocol development. You intend to decentralize the developer base by maintaining and growing an already experienced and highly motivated team that will help promote the benefits of this nascent technology by making it available to all. In this regard,

you are dedicated to building a platform for fostering education and career development within the blockchain technology ecosystem.

You will focus on two core initiatives: 1) developing, upgrading, and maintaining the open source code base, and 2) leveraging the tech stack to build bridges to high-schools, colleges, and universities to help grow the broader cryptocurrency ecosystem via internships and apprenticeships focused on students interested in computer science, cryptography, and economics. You intend to aggressively advance both the technical and educational infrastructure in a way that benefits the entire blockchain technology and cryptocurrency ecosystems many times over.

You state that your activities are charitable because your software will be made available to the public without charge. Your funds provide support for the development, marketing, and administration of the software. While you will pay third parties as necessary to develop the software to further your charitable purposes, the software will then be contributed to the open source project and will be leveraged to provide an educational platform and resource for other companies to be able to participate in the cryptocurrency and blockchain space. This will allow you to provide the public with a no-cost method of entry into the development of a cutting-edge technology that typically has very high barriers to entry. You will also use your resources to support and encourage the development of the open source software by volunteer developers.

You are organized to ensure that the software remains freely available to the public and that the public has access to educational matters that further their use of this software. To this end, you are developing and maintaining a digital library that can be used by individuals worldwide at no cost. Your activities focus on educating the public and partnering with educational institutions to help improve education within the digital currency technology space.

You may also sponsor or host conferences designed to further the progress of your activities and the development of cryptocurrency as a whole. Through your training, conferences, and collaborative efforts in the development and implementation communities, you will enhance the technological skill levels of your volunteer developers and users as you advance the development of open source software. Because there is no cost to use the software and because no registration is required, it is difficult for you to estimate the number of users worldwide.

You anticipate soliciting donations from businesses and individuals interested in the continued development of the open source software through the contribution of cash and other support. You will also seek contributions and grants from government entities, educational institutions, private foundations, and other sources. The funds raised will be spent on such items including, but not limited to, your administration costs, maintenance of your open source program, support of existing projects, and development of new open source projects. Your biggest expense will be for software developer and engineer contractors.

Law

IRC Section 501(c)(3) provides for exemption from federal income tax of organizations organized and operated exclusively for charitable, educational, scientific, and other purposes, provided that no part of the net earnings inures 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 IRC Section 501(c)(3), an organization must be both organized and operated exclusively for one or more of

the purposes specified in IRC Section 501(c)(3). If an organization fails to meet either the organizational or operational test, it is not exempt.

Treas. Reg. Sec. 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 IRC Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) provides that the term “educational” relates 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.

Revenue Ruling 66-255, 1966-2 C.B. 210, describes an educational organization that qualified for providing public information. In this ruling, the organization educated the public as to a particular method of painless childbirth. The organization utilized meetings, films, forums, and publications to educate the public. The organization carried out its purpose through (a) public programs of films followed by discussions with doctors and members of the organization; (b) presentations on local radio stations; (c) meetings conducted by a doctor or a registered nurse for expectant parents; and (d) pamphlets, manuals, and books which are distributed to libraries, hospitals, and obstetricians.

Rev. Rul. 72-369, 1972-2 C.B. 245, concerns an organization formed to provide managerial and consulting services for nonprofit organizations exempt under IRC Section 501(c)(3) to improve the administration of their charitable programs. The organization enters into agreements with unrelated nonprofit organizations to furnish managerial and consulting services on a cost basis. The ruling states that the provision of managerial and consulting services on a regular basis for a fee is a trade or business ordinarily carried on for profit. The fact that the services in this case are provided at cost and solely for exempt organizations is not sufficient to characterize this activity as charitable within the meaning of Section 501(c)(3). Furnishing the services at cost lacks the donative element necessary to establish this activity as charitable. Accordingly, the ruling holds that the organization’s activities are not charitable and, therefore, the organization does not qualify for exemption under Section 501(c)(3).

Rev. Rul. 77-365, 1977-2 C.B. 192, describes an educational organization that conducted clinics, workshops, lessons, and seminars at municipal parks and recreational areas to instruct and educate individuals in a particular sport.

In Better Business Bureau of Washington, D.C. Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court determined that, while some activities of the organization were educational, a substantial purpose of the organization was to promote business, and thus the organization was not operating exclusively for educational purposes. It held that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes.

Application of law

You are not described under IRC Section 501(c)(3) or Treas. Reg. Section 1.501(c)(3)-1(a)(1) because you do not meet the operational test. A substantial part of your activities does not further exempt purposes. You maintain, develop, and distribute open source software relating to cryptocurrency freely to the public. As stated in Treas. Reg. Section 1.501(c)(3)-1(c)(1), an organization is operated exclusively for one or more exempt

purposes only if it primarily engages in activities which accomplish such exempt purposes. The provision of goods or services to the public must fulfill a recognized Section 501(c)(3) charitable purpose itself. An organization is not exempt merely because its operations are not conducted for the purpose of producing a profit. To satisfy the ‘operational test’ the organization’s resources must be devoted to purposes that qualify as exclusively charitable within the meaning of Section 501(c)(3) and the applicable regulations.

Like the organization in Rev Rul. 72-369, your activities are not conducted with the purpose of producing a profit, but they are also not conducted to exclusively benefit a charitable class, such as the poor, distressed and underprivileged, the aged, and the sick or handicapped. Your software applications can be used by anyone with interest in E, which establishes that your purpose is not exclusively charitable.

The term “educational,” as defined by Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) relates 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. You are dissimilar to the organization described in Rev. Rul. 66-255 which describes an organization formed to educate the public. The organization carried out its purpose through public programs of films followed by discussions with doctors and members of the organization; presentations on local radio stations; meetings conducted by a doctor or a registered nurse for expectant parents; and pamphlets, manuals, and books which are distributed to libraries, hospitals, and obstetricians. Another example of a qualifying educational organization was described in Rev. Rul. 77-365. In that ruling the organization qualified for exemption under IRC Section 501(c)(3) because it conducted activities such as clinics, workshops, lessons, and seminars at municipal parks and recreational areas to instruct and educate individuals in a particular sport. Unlike the organizations described in these rulings, any educational activities you may conduct are incidental to your activity of creating, maintaining, and providing software to any interested person or business worldwide as it relates to E.

As stated in Better Business Bureau of Washington, D.C. Inc., a substantial non-exempt purpose will destroy exemption regardless of the number or importance of truly exempt purposes. Although you may provide some educational opportunities, you have a substantial non-exempt purpose of developing and providing software which improves digital currency technology, which allows anyone access to the industry of cryptocurrency for any purpose. This activity is substantial and does not further an exempt purpose. Therefore, you are precluded from exemption under IRC Section 501(c)(3).

Conclusion

Based on the above facts and analysis, you do not qualify for exemption under IRC Section 501(c)(3). You have a substantial non-exempt purpose of creating, maintaining, and providing software which allows access to the cryptocurrency industry to any individual or any business interested and for any purpose. Accordingly, you are not operated exclusively for charitable or educational purposes within the meaning of Section 501(c)(3).

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.

If you don't agree

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

- Your name, address, employer identification number (EIN), and a daytime phone number
- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative
- The following declaration:

For an officer, director, trustee, or other official who is authorized to sign for the organization:
Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, 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 they haven'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 gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information 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 later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

Where to send your protest

Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Mail Stop 6403
P.O. Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Mail Stop 6403
Cincinnati, OH 45202

You can also fax your protest 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 they received it.

You can get the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

Contacting the Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or if you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

cc: