



Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities

PO Box 2508  
Cincinnati, OH 45201

Number: **202131011**  
Release Date: 8/6/2021

Date: May 11, 2021

Employer ID number:

Form you must file:

Tax years:

Person to contact:

Name

ID number:

Telephone:

**UIL: 501.03-05, 501.03-30, 501.03-19, 501.32-01**

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](http://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.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4034

Redacted Letter 4038



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

**Date:** March 16, 2021

**Employer ID number:**

**Contact person/ID number:**

**Contact telephone number:**

**Contact fax number:**

**Legend:**

B = State  
C = Date  
D = Founder  
E = City  
F = Regional Area  
G = Address  
H = Square Footage  
J =  
m = Dollar Amount  
n = Shares of Preferred Stock  
p = Jobs Number  
q = Dollar Amount  
r = Dollar Amount  
s = Percentage

**UIL:**

501.03-05  
501.03-30  
501.03-19  
501.32-01

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 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 incorporated under the law of State B on date C. Your articles indicate you are organized pursuant to the B Nonprofit Corporation Code. Subsequently, you filed Articles of Amendment with the State changing your name to the name shown in the heading of this letter.

Article III of your Articles states your purpose is to engage in any such lawful act and/or activity under the General Law of your State other than the banking business, trust company business or the practice of a profession not permitted to be incorporated by and pursuant to state law.

Article VII of your Articles of Incorporation states that you are authorized to issue n shares of Preferred Stock with a par value of m dollars per share.

Article 2 of your Bylaws states your purpose “shall be operated exclusively for family sports entertainment, training and sports business development and golf training and a learning center.”

You have signed an agreement to amend your purpose clause and your dissolution clause in your Articles of Incorporation.

D is your founder, chair board of directors, and chief executive director. D’s spouse serves as the co-founder, member of the board of directors, and vice president. D’s two children serve as treasurer and secretary.

You state you are setting up an opportunity zone fund for investors and bring in more than p jobs in E area.

You assert you conduct professional golf training, classes, practice sessions, and fitness training to anyone. You state you also conduct younger golf training and classes to underprivilege families. Your facility which includes the training center and outdoor practice area at G and other golf courses in E area. Daily, weekly, and monthly trainings are available. You indicate that your facility is open .

You state you charge standard industry fees for golf training classes or lessons and family rates based on income status. You want to be able to offset the fees by your sponsors if you were exempt from federal income tax under IRC Section 501(c)(3) in order for everyone to enjoy the training and classes so they can play better and achieve their goals and success.

You state you provide scholarships to support underprivilege families whose kids want to learn to play the great game of golf and learn good life skills and being more discipline and learn good principles to grow up and be successful. The selection is made from the information provided in the application form based on the household income. The scholarship is given to pay for the lessons, training, and classroom materials to the schools where the eligible individuals are attending or plan to attend.

You assert you are supporting economic development and growth in the city E and area F. You indicate as you build the full training center, you will be bringing new jobs and a great new center of attraction for families and friends to come enjoy your new facility and help to stimulate the economy of city E and bring the community together more with your outreach programs and center events.

You state you will have a computer training center, golf classes, and golf ground keeping maintenance classes. You indicate you plan to provide small startup business loans to businesses that come up under your golfing program guideline in the golf industry as a business.

You state the land you conduct your activities is a Federal Opportunity Zone. You state you are developing in an economically distressed community area that has great potential to overcome the short falls and become a great impact to help make a difference.

You state you will be supporting the city economic development plans and bring in new industry and helping to facilitate expansion and retention of existing businesses. You state you will be reaching out to companies that would like to become a partner and sponsor your vision and mission to help develop the younger generation to be great achievers and differences makers as you teach them and help them with their training by providing a great practice facility and a safe and friendly community environment.

You claim that your sponsorship strategy is to get with people who want to see positive change in every life. You state you will ask your partners to help sharing in your events as you help your members/students with self-managing knowledge, good business networking on professional levels and personal skills to public speaking and critical thinking, time management, building teamwork, and good problem solving and taking initiatives to achieve goals and track performance.

You state you will have a building which is a new 11 square foot plus an entertainment complex in \_\_\_\_\_ with state-of-the-art golf equipment, all of golf history, and all of the center's golf celebrities, sponsors and professional golfers.

The complex will have all of J's golf winners and their bios, photos, and golf accomplishments. The complex will also be your office building and headquarters. You claim you plan to stand out from your competitors by branding your facility and future facilities with celebrity-endorsed golf sponsors and golf merchandise and give a-ways during the events, training, and teaching sessions. Under the nonprofit status, you are developing an innovative golf training center designed to improve the golfers' games and skills and provide golf lessons and fitness programs for all ages.

Your website shows that your programs are open to all. The web pages show that your facility includes golf training complex, golf instruction, and services. The web pages also state you are developing VIP packages and loyalty programs. The web pages also state the golf training complex provides family-oriented venue and customized programs for all ages.

You have not provided your financial projections of your revenue and expenditures. You only provided your balance sheet with approximately q dollars which is mainly for the land value and r dollars as cash on hand.

#### **Law**

IRC Section 501(c)(3) of the Code provides for the exemption from federal income tax of corporations organized and operated exclusively for charitable or educational purposes, provided 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) of the Code, an organization must be both organized and operated exclusively for one or more 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. Sec. 1.501(c)(3)-1(b)(1) (iii) states

An organization is not organized exclusively for one or more exempt purposes if its articles expressly empower it to carry on, otherwise than as an insubstantial part of its activities which are not in furtherance of one or more exempt

purposes, even though such organization is, by the terms of such articles, created for a purpose that is no broader than the purposes specified in Section 501(c)(3). Thus, an organization that is empowered by its articles “to engage in a manufacturing business”, or “to engage in the operation of a social club” does not meet the organizational test regardless of the fact that its articles may state that such organization is created “for charitable purposes within the meaning of Section 501(c)(3) of the Code.”

Treas. Reg. Sec. 1.501(c)(3)-1(c)(1) provides that an organization operates exclusively for exempt purposes if it engages primarily in activities that accomplish exempt purposes specified in section 501(c)(3) of the Code. An organization must not engage in substantial activities that fail to further an exempt purpose.

Treas. Reg. Sec. 1.501(c)(3)-1(c)(2) states that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Revenue Ruling 59-310, 1959-2 C.B. 146, granted exemption under IRC Section 501(c)(3) to an organization that was formed to establish, maintain and operate a public swimming pool, playground and other recreation facilities for the children and other residents of the community. Its funds were principally raised by public subscription. The income derived from charges for admission to the swimming pool was nominal and such charges were purely incidental to the orderly operation of the pool. Since the property and its uses are dedicated to members of the general public of the community and are charitable in that they serve a generally recognized public purpose which tends to lessen the burdens of government, it is concluded that the instant organization is exclusively charitable within the meaning of Section 501(c)(3) of the Code.

Rev. Rul. 68-224, 1968-1 C.B. 262, granted exemption under IRC Section 501(c)(4), not Section 501(c)(3) to an organization of which their primary purpose was to conduct an annual festival that depicts regional customs and traditions. In a typical year, it features a banquet or barbecue, a parade, various contests, and a rodeo. At the banquet or barbecue the winners of the various contests are announced. The parade is made up of school bands, local riding clubs, and floats built by local organizations. Contests relate to dress and costumes concerning the traditions of the area. Floats generally depict the community history and customs. The festival is climaxed on the final day with the rodeo. The ruling stated, “In carrying on the activities described, the organization provides recreation for the community, publicizes the community and attracts persons to it, promotes community growth, and provides a means whereby citizens may express their interest in local history, customs, and traditions. These activities promote the common good and general welfare of the people of the community and bring about civic betterments and social improvements. Accordingly, the organization qualifies for exemption from Federal income tax under Section 501(c)(4) of the Code.

Rev. Rul. 70-186, 1970-1 C.B. 129, discusses an organization that improved and sustained a lake used for public purposes. The organization improved the condition of the water in the lake to enhance its recreational features for public benefit. The organization’s principal activity was to treat the water, to remove algae, and to otherwise improve the condition of the water for recreational purposes for the public. The organization was found to be exempt under IRC 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 under section 501(c)(3) of the Code or Treas. Reg. Sec. 1.501(c)(3)-1(a)(1) because you do not meet the organizational or operational tests. Although you agreed to amend your purpose clause and the dissolution clause in your Articles in writing, Article VII remains in force and allows your founder and his family to receive an ownership claim in the organization with the power to receive preferred stock. This violates the proscription in Treas. Reg. Sec. 1.501(c)(3)-1(b)(1)(iii) and fails the operational test under Treas. Reg. Sec. 1.501(c)(3)-1(c)(ii).

You also do not meet the other provisions of the operational test. You indicated s% of your time is for social and recreational events held for members and neighborhood residents. Social and recreational events are not considered exempt activities under Treas. Reg. Section 1.501(c)(3)-1(c)(1). Furthermore, a substantial portion of your activities serves the private interests of your members, and not the public. These activities do not benefit the public and are not enough to meet the requirements of Treas. Reg. Section 1.501(c)(3)-1(c)(1).

Your activities are dissimilar to the organization that is described in Rev. Rul. 59-310 where a public pool and other recreational facilities were operated by an exempt organization. Swimming was offered to the public at large including all residents without discrimination. Most of the individuals using the pool were low income and therefore could not afford the cost of privately sponsored recreational facilities. You are distinguished from this ruling because you are not simply maintaining a recreational facility for the general public in a manner that is charitable. Rather, you are actively involved in the conduct of social and recreational activities such as private golf lessons and individual golf activity as recreation. Although private golf lessons could be considered an educational activity, you provide this service to all members of the community for a fee; you do not limit the lessons solely to children or those who are members of a charitable class. Social and recreational events are not considered charitable or educational purposes under IRC Section 501(c)(3) of the Code.

You are like the organization described in Rev. Rul. 68-224 that received exemption under IRC Section 501(c)(4), and not Section 501(c)(3). Like the organization in this ruling you provide a facility for anyone, including tourists and visitors, who want to play golf. As stated in the revenue ruling, these activities “provide recreation for the community, publicize the community and attracts persons to it, promotes community growth, and provides a means whereby citizens may express their interest in local history, customs, and traditions. These activities promote the common good and general welfare of the people of the community and bring about civic betterments and social improvements.” These activities are not exclusively charitable or educational as defined in section 501(c)(3) of the Code.

You are dissimilar to the organization described in Rev. Rul. 70-186. The organization discussed in that ruling improved and maintained the lake, by improving the water quality for use by the public. Unlike that organization, a substantial portion of your activities is dedicated to conducting social and recreational activities, and not simply improving a lake for public use.

Like the organization in Better Business Bureau v. United States, you have a substantial non-exempt purpose. The fact that s% of your activities are social and recreational precludes exemption under 501(c)(3). Even if some of your activities and purposes are described in section 501(c)(3), 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.

### **Your position**

You state you provide golf training to youth and you provide scholarships or reductions in fees to youth who are from underprivileged families. Later, you provided additional information about your activities that are offered to the public regardless of ages.

### **Our response to your position**

We have sent you a copy of your web pages which shows that your programs are open to all. The web pages show that your facility includes golf training complex, golf instruction, and services. The web pages also state you are developing VIP packages and loyalty programs. The web pages also state the golf training complex provides family-oriented venue and customized programs for all ages. Based on your stated purpose and the activities you conduct, it is obvious you have a substantial purpose of providing social and recreational activities for your members and visitors. The overall facts and circumstances involved show you have a substantial non-exempt purpose of conducting social and recreational activities.

### **Conclusion**

Based on the facts and information submitted, you are not operated exclusively for exempt purposes. You do not meet the operational test because you conduct substantial social and recreational activities and you have not established that your activities do not substantially benefit private interests.

Accordingly, you do not qualify for exemption under section IRC Section 501(c)(3) and you must file federal income tax returns. Contributions to you are not deductible under Section 170 of the Code.

### **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](http://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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Acting Director, Exempt Organizations  
Rulings and Agreements