



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

Date: June 8, 2021

Employer ID number:

Form you must file:

Tax years:

Person to contact:

Name:

ID number:

Telephone:

Number: **202135008**

Release Date: 9/3/2021

UIL: 501.35-00, 501.33-00

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.

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: April 13, 2021

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

X = State

Y = Date

Z = Industry

Ull -

501.35-00

501.33-00

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 submitted Form 1023-EZ, *Streamline Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*.

You attest that you are organized and operated exclusively to further charitable purposes and that you have not conducted and will not conduct prohibited activities under IRC Section 501(c)(3).

Detailed information was requested supplemental to your application submission.

You were incorporated in X on Y. Your organizing document, Articles of Incorporation ("Articles"), does not limit your purposes to one or more exempt purposes within the meaning of IRC Section 501(c)(3) or permanently dedicate your assets for Section 501(c)(3) purposes. You attested that you amended your Articles to include the required Section 501(c)(3) language; however, to date there is no evidence of such an amendment on X's Secretary of State website.

Your programs consist mostly of luncheons where industry experts present education relevant to the Z industry. You host a fundraising golf tournament once a year to provide scholarships to students interested in Z. You also hold two social events every year to encourage new membership and allow existing members to network.

A majority of your revenue comes from fees for attending the events. The prices for the luncheons, golf tournament, and social events are determined by the Board of Directors each year. Expenditures are mostly related to the events and scholarships. Members who provide assistance in organizing the events are reimbursed for expenses and you also pay the members' fees associated to attend a national convention of people in the Z industry.

Law

IRC Section 501(c)(3), in part, provides for the exemption from federal income tax of organizations organized and operated exclusively for exempt purposes.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) states that in order to qualify under IRC Section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either the organizational or operational test, it is not exempt.

Treas. Reg. Sec. 1.501(c)(3)-1(b)(1)(iv) states 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 IRC Section 501(c)(3).

Treas. Reg. Section 1.501(c)(3)-1(d)(3) defines "educational" as instruction or training of the individual for the purpose of improving or developing his capabilities and/or the instruction of the public on subjects useful to the individual and beneficial to the community.

Revenue Ruling 59-6, 1959-1 C.B. 121, describes an apprenticeship committee which was not entitled to exemption under IRC Section 501(c)(3) because its educational program was only an incidental part of its total activities. It had as its principal purpose the professional advancement of its membership. The Rev. Rul. held that the apprenticeship committee was exempt under Section 501(c)(5).

Revenue Ruling 71-505, 1971-2 C.B. 232, held that a city bar association exempt under IRC Section 501(c)(6) that primarily directs its activities to the promotion and protection of the practice of law may not be reclassified as an educational or charitable organization under IRC Section 501(c)(3).

In Rev. Rul. 75-284, 1975-2 C.B. 202, an organization was held by the Service to be advancing education under IRC Section 501(c)(3). The purpose of the organization was to help recent high school graduates and college students become useful and productive members of society. The organization provided actual work experiences outside the normal school setting through a 30-week training program. The organization selected students to participate in its program on the basis of their personal histories and their willingness to participate in the program. Once accepted into the program, students select five professions or trades out of the 25 offered. They then work for 40 hours a week for six weeks at each trade or profession chosen.

The organization contracted with skilled craftsmen and professional people to provide training on a one-to-one basis. In this way students not only learned the basic skills or requirements of a trade or profession under the direction of an expert but were also given firsthand knowledge of various occupations prior to their making a career choice.

Although many of these skilled craftsmen and professional people volunteered their time, the organization offered a per-student stipend to them to pay for the training. The students themselves were not paid, either by the organization or the skilled craftsmen and professional people. Rather, they paid tuition, which covered the cost of room and board, weekly seminars, individual counseling, and the on-the-job training.

The organization was formed by a group of former school administrators, teachers, and guidance counselors. Its initial funding came from their contributions. Subsequent funding consisted of students' tuition and contributions from the general public. These contributions allowed the organization to accept students who could not afford to pay the full tuition.

In *Better Business Bureau of Washington, D.C., Inc. v. United States*, 326 U.S. 279 (1945), the Supreme Court determined the activities of that organization were aimed at promoting the prosperity and standing of the business community and, therefore, served a substantial private purpose. It concluded that the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption regardless of the number or importance of statutorily exempt purposes.

Application of law

Although some of your programs involve some educational aspects, you are not operating exclusively to provide instruction or training to individuals for the purpose of improving or developing capabilities or to provide instruction of the public on subjects useful to the individual and beneficial to the community. [See Treas. Reg. Sec. 1.501(c)(3)-1(d)(3)] Rather, you are operated for business networking purposes aimed at promoting the private interests of your members, promoting the Z industry and your activities are social in nature.

Currently your Articles do not limit your purposes to one or more exempt purposes within the meaning of IRC Section 501(c)(3) or permanently dedicate your assets for Section 501(c)(3) purposes. [See Treas. Reg. Sec. 1.501(c)(3)-1(b)(1)(iv)] Therefore, you do not meet the organizational test or the operational test under Section 501(c)(3). [See Treas. Reg. Sec. 1.501(c)(3)-1(a)(1)]

Like the organization denied exemption under IRC Section 501(c)(3) in Rev. Rul. 59-6, your educational program is incidental to your overall purpose of promoting the professional advancement of your membership. This is emphasized in Rev. Rul. 71-505, where the organization in question had a primary purpose of promoting a line of business. Even though the organization had some educational programs they did not qualify for exemption under Section 501(c)(3).

You are not similar to the organization described in Rev. Rul. 75-284. In that ruling, the organization provided students with actual exposure to various trades and professions which not only advanced education by familiarizing students firsthand with various career fields, but also trained the individuals for the purpose of developing their capabilities. In contrast, your organization hosts monthly luncheons (9 or 10 per year),

conducts a golf tournament and holds two social events each year to encourage new membership and allow existing members to network in the Z industry. Although portions of your activities may further the education of an individual in the Z industry, your overall activities overshadow your educational purpose.

As noted in *Better Business Bureau of Washington, D.C., Inc.*, the presence of a single nonexempt purpose, if substantial, will prevent an organization from being recognized for exemption under IRC Section 501(c)(3). Your business networking activities are substantial in nature. Thus, you are precluded from being recognized as exempt under Section 501(c)(3).

Conclusion

Based on the information submitted, you have failed to establish that you are organized and operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3) and the related income tax regulations. You have the substantial non-exempt purpose of promoting the Z industry, which furthers private interests. Therefore, based on the administrative record, you fail to qualify for exemption under IRC 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.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements