



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

Date: July 20, 2021

Employer ID number:

Form you must file:

Tax years:

Person to contact:

Name:

ID number:

Telephone:

Release Number: **202141028**

Release Date: 10/15/2021

UIL: **501.03-05, 501.35-00, 501.36-00**

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: 5/18/2021

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

M State
 N - Date
 P= Aims
 Q= Country
 R= Country
 S = Country
 T= Country

UML -

501.03-05
 501.35-00
 501.36-00

e dollars = Amounts
 f dollars = Amounts

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 incorporated under the laws of M on N. Your Articles of Incorporation state you are "organized for exclusively charitable, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 or the corresponding provision of any future United States Internal Revenue Law, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of 1986". They and your bylaws both state that you will improve the world through promoting travel and tourism to be in alignment with the P. P is a blueprint of goals to achieve a better and more sustainable future for all throughout the world.

You further indicated that you are a

To accomplish this, you will design

. Specifically, you will offer travel tours in such countries as Q,

R, S, and T with each trip ranging from _____ days. During these travel tours, you will _____ and whose mission aligns within the P framework. The mission and projects of these organizations must also demonstrate _____

You provided sample itineraries of planned trips. The following was provided for the tour in T.

Day 1: Arrival in T.

Day 2: Visit your partner organization in T.

- Explore the city _____ where your partner organization is located.
- Visit your partner organization that _____

Afterward, visit a social enterprise that _____

Day 3: Visit one of T's National Parks.

- Experience a _____ at the National Park with incredible wildlife, including _____
Learn about conservation efforts from _____
- Also take in the landscape of the National Park river _____

Day 4: Travel to another village.

- Visit the local farming village, which has more than _____ different tribes, for a stroll. The travelers will be welcomed and guided by a resident through the village. The visitors will learn about the conservation, cultural identity, local farming, and markets of the locals.

- Afterward, drive to a _____ town _____ and spend the night in the lodge of another one of T's National Parks.

Day 5: Explore another National Park.

- Wake up in a lodge within the National Park of the town. Start the day with a _____ of the town observing their efforts in the _____. Also, _____

Day 6: Explore another area of the _____ town and the nearby lake.

- Experience a morning _____ in the area and visit a _____
- Visit the _____

Along the journey, _____

Day 7: Visit another town in T.

- Get up before sunrise and visit the town's _____

- Afterward, _____

Day 8: Departure

- Wake up at a _____. The visitors will receive a warm welcome from the tribe leaders and gain a deeper, authentic level of understanding of their culture.
- The visitors will have the opportunity to engage in _____

Day 9: Departure Day from T.

The itineraries provided for Q, R and S are comparable to that for T in that a substantial portion of the tour is devoted to recreational activities such as experiencing and experiencing shopping for local items.

You indicated that once a participant has signed up for a tour and put a deposit down, they will receive educational materials about the P, and information about the local nonprofit organizations which will be visited on their particular tour. You also explained that participants are encouraged but not required to engage in any activity or workshop and that all activities are up to participants' desire and discretion. No alternate activities are provided for those who do not wish to participate in an activity or workshop.

The travel tours range in price of e dollars for shared accommodations while solo accommodations are in the range of f dollars. The fees cover accommodations, in country transportation, entry fees, materials associated with workshops, admin fees, refreshments, and donations to partner organizations. The fees do not include gratuities, visas, traveler's insurance and COVID testing. Participants are responsible to cover any additional out of pocket expenses. The travel tour participants also have the opportunity to pay for excursions that are not part of the tour such as cultural dinners, mountain hiking, and city tours, etc.

Your proposed budgets show that more than of your income derives or will derive from gross receipts and you expend or plan to expend funds on travel expenses of participants, salaries, and other administrative expenses. About of your net proceeds is donated to the local organization with whom you are partnering. You promote your travel tours on your website.

Additionally, you stated that your trips:

- Provide travelers the opportunity to engage and work alongside community leaders, local people, and grassroots level nonprofit organizations to contribute
- Give travelers the opportunity to actively participate in bettering the environment and the communities which enables them to become better global citizens.
- Create tremendous benefits including generating

towards addressing the P through carrying out valuable and meaningful change during their travels.

Law

IRC Section 501(c)(3) provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable purposes where 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 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 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(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). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Rev. Rul. 77-366, 1977-2 CB 192, describes a nonprofit organization that was formed to provide a continuing educational program in an atmosphere conducive to spiritual renewal. The organization's only activities consisted of the regular arrangement and conduct of fourteen-day wintertime cruises on chartered ships. In addition to the usual cruise activities, the programs conducted on each cruise included a schedule of lectures, discussion groups, and special interest workshops on religious topics, at which attendance was not required. For approximately four hours on each of the nine days the ship was at sea, the organization conducted lectures, discussions, and workshops. The remainder of the time was available for meals, recreation activities and social functions. The ruling held that the lectures, discussions, workshops, and some of the activities on shore further religious and educational purposes. However, the extensive amount of time, energy, and other resources which were regularly devoted to the conduct of social and recreational activities, together with the manner in which such activities are scheduled in relation to other cruise programs, and all the other attendant facts and circumstances here demonstrate that the organization's conduct of such social and recreational activities serve substantial independent purposes of a non-charitable nature.

Rev. Rul. 77-430, 1977-2 CB 194, describes an organization which conducted religious weekend retreats at a rural lakeshore site where participants enjoyed recreational facilities during their limited free time and qualified for exemption under Section 501(c)(3). The organization was formed for the purpose of conducting weekend religious retreats open to individuals of diverse Christian denominations. The retreats are conducted by ministers and priests of the various denominations. The activities engaged in at the retreats are group and individual prayer, lectures, reading, and meditation. Such activities are generally scheduled on an hourly basis throughout the day. Although no recreational activities are scheduled, there is a limited amount of free time in which the participants may relax and enjoy the facilities.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 179 (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.

In American Institute for Economic Research v. United States, 302 F.2d 934 (Ct. Cl. 1962), the Court considered the status of an organization that provided analysis of securities and industries and of the economic climate in general. It sold subscriptions to various periodicals and services providing advice for purchases of individual securities. The Court noted that education is a broad concept and argued that the organization had an educational purpose. The Court concluded, however, that the totality of the organization's activities, which included the sale of many publications as well as the sale of advice for a fee to individuals, was more indicative of a business than that of an educational organization. The Court held that the organization had a significant non-exempt commercial purpose that was not incidental to the educational purpose and that the organization was not entitled to be regarded as exempt.

In The Schoeger Foundation v. Commissioner, 76 TC 380, (1981) the applicant organization, which was characterized as a religious retreat facility, owned and operated a mountain lodge. Numerous religious, recreational and social activities were available to the lodge's guests none of which were regularly scheduled or required. The religious activities revolve around individual prayer and contemplation with optional daily

devotions and occasional Sunday services available to the guests. The Court held that the organization did not qualify for exemption because the lodge's recreational and social activities were those of a vacation resort.

Application of law

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests for an organization to be recognized as exempt. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). Based on the information you provided in your application and supporting documentation, we conclude that you fail the operational test

You are not described in Treas. Reg. Section 1.501(c)(3)-1(c)(1). You are not supported by gifts, grants, and contributions and your tours are priced at a similar rate of those of a for profit travel agency. Additionally, there are substantial recreational activities offered and the educational activities are optional to the participants. These facts show that you are operated for substantial nonexempt commercial and recreational purposes which disqualifies you from exemption under IRC Section 501(c)(3).

You are not operated like the organization described in Rev. Rul. 77-430, 1977-2 CB 194. Your travel tours serve a substantial nonexempt recreational purpose as evidenced by the itineraries you provided. You are operated in a similar fashion to the organization in Rev. Rul. 77-366, 1977-2 CB 192. Even if some of the activities are educational in nature, many are recreational. Furthermore, the educational activities are optional for the participants. Similar to the organization described in The Schoeger Foundation v. Commissioner, many of your activities are characteristic of a vacation and are recreational, which disqualifies you from exemption under IRC Section 501(c)(3).

You are similar to the organization described in the American Institute for Economic Research v. United States. You provide tours in the same manner as for-profit travel agencies as evidenced by how the tours are packaged and how they are priced. This shows you are in competition with other for-profit travel agencies. Like the organization in the court case you have a significant non-exempt commercial purpose that is not incidental to your educational purpose. Therefore, you are not entitled to be regarded as exempt.

You are like the organization described in Better Business Bureau. Although you may have some educational and charitable purposes, you are operated for substantial nonexempt purposes. The presence of these substantial non-exempt purposes prevents exemption under IRC Section 501(c)(3).

Your position

You stated that each trip provides travelers the opportunity to

the P through carrying out valuable and meaningful change during their travels.

Our response to your position

You failed to provide any additional information from which it can be concluded that your activities exclusively further or advance a purpose described in IRC Section 501(c)(3). Although you may further some educational and charitable purposes, as explained previously, you are operated for substantial nonexempt recreational and

commercial purposes. The presence of these substantial nonexempt purposes precludes exemption under IRC Section 501(c)(3).

Conclusion

Based on the information submitted, you do not qualify for exemption under IRC Section 501(c)(3). You do not meet the operational test for IRC Section 501(c)(3) because you are operated for substantial nonexempt purposes. Accordingly, you do not 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