



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

Date: August 17, 2021

Employer ID number:

Form you must file:

Tax years:

Person to contact:

Name:

ID number:

Telephone:

Number: **202145029**
Release Date: 11/12/2021

UIL Number: 501.03-00, 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: June 29, 2021

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

C = State
D = Date
F = Program
G = Related Organization 1
H = Related Organization 2
J = Cryptocurrency
K = Fundraising Platform
m dollars = Amount
n dollars = Amount
p percent = Number

UIL:

501.03-00
501.35-00
501.36-00

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 incorporated in the state of C on D. Your Articles of Incorporation state that you are organized exclusively for charitable, religious, educational, and scientific purposes. Your Articles also state that your business activity is: "A free Society of individuals to help each other advance the society, through Science/ technology/ agriculture and the arts." Finally, a dissolution clause provides that any assets remaining after dissolution shall be distributed for one or more exempt purposes within the meaning of IRC Section 501(c)(3).

Your Bylaws state that you are a funded community-outreach and learning metropolis – the new earth – where many facets of community living exist in areas of housing, food distribution, as well as forums on scientific and technological developments. You will fund developers of crypto, technicians and engineers where each separate field will have their own council member. Council members are not controlling members or elected officials but are sharing and governing bodies that are consolidated. Each governing body is a representative body of their

division who vote on issues by putting matters to a vote that the council member represents and who in turn conveys that body's point of view.

According to your narrative description of activities, your mission is to find ways to provide homes for the less fortunate in the community through home ownership that would ultimately eradicate homelessness. Your plan is to provide home ownership as a community service outreach also known as the F. The community at large will be involved in all facets of technology. You will invite innovators, the millennials, generations x, y and z, to reinvent the wheel and seek alternative methods to the one-size fits all concept. In an open source, also known as under-served, community you plan to lessen the burdens of high-cost financing and costly energy.

Your President has a background in IT knowledge and understanding, his work history includes security sub-contractor and web developer. As a technological professional, he formed companies G and H. You provided the incorporation details of H, which is a for-profit corporation formed in the state of C.

You state that H will be your funding source and that funds will be provided through mining which leads to jobs for residents of the community. The mining you are referring to is called crypto mining and J, a digital currency, is the only coin that you will mine through H's trained IT personnel. Donations will also come in through a "K". These funds will lead to further development of the infrastructure to include production of servers, digital computers, emails, and websites. It will also be the avenue towards your aim of flipping houses to low-income families of the community at discounted prices. You will get donated vehicles and houses which you can fix and take donations for them from foundations, for-profits and non-for-profit organizations, hence the F.

H, with its trained IT technicians, will train community residents who are interested in computers. Your technicians will train members in diagnosing computer problems, computer equipment, programming, learning to set up computer equipment, and maintenance through H's IT and computer experts. After training, these individuals will be employed by H.

You state these activities further your exempt purpose because they bring jobs to the community at the same time as providing the community with better living. In other words, an individual's participation as a member grants them a home of their own which comes through your activities. Once an individual joins H by paying an annual membership fee of m dollars and signing a non-disclosure agreement, members will belong and be part of the F. The fee entitles them to be trained by qualified H personnel.

You describe the F as the community itself looking for a better way of living and what better way than to know they can have a roof over their heads. In addition, the F prevents the burdens of homelessness. Through H's resources you will be securing all information coming into H while you operate in multiple states. Members are re-assured through their non-disclosure agreement that their information into H will not be shared with anyone and remains confidential.

You state that membership is commission-based, meaning they will get a commission during the entirety of their employment. Once a member is terminated from H, their commission terminates. You provided a schedule of commission fees, ranging from m dollars to n dollars, which appear to depend on the various IT/computer services provided. You also stated that existing members will receive a commission of p percent for every new member they bring in.

The process by which a member gets a home of their own involves their length of membership. If employment is maintained for a period of five years, members qualify for a home through your method of funding sources and commissions they have earned.

You state your activities will be funded through funding websites, personal contacts and membership fees. Your expenses, in order of magnitude, are rent, payroll, utilities, insurance, marketing, office supplies and transportation.

Law

IRC Section 501(c)(3) exempts from taxation any corporation organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, provided no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treasury Regulations Section 1.501(a)-1(c) states the words private shareholder or individual in Section 501 refer to persons having a personal and private interest in the activities of the organization.

Treas. Reg. 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 such section. If an organization fails to meet either the organizational or 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 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(c)(2) states 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.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for an exempt purpose unless it serves a public rather than a private interest. The organization must demonstrate that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled directly or indirectly by such private interests.

In Rev. Rul. 72-369, 1972-2 C.B. 245, an organization was formed to provide managerial and consulting services for Section 501(c)(3) organizations to improve the administration of their charitable programs. The organization enters into agreements with unrelated Section 501(c)(3) organizations to furnish managerial and consulting services on a cost basis. This revenue ruling stated that:

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 IRC Section 501(c)(3) and the applicable regulations. Providing 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.

In Better Business Bureau of Washington D.C., Inc. v. United States, 326 U.S. 279, 66 S. Ct. 112, 90 L. Ed. 67, 1945 C.B. 375 (1945), the Supreme Court 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.

In Salvation Navy, Inc. v. Commissioner of Internal Revenue, T.C. Memo. 2002-275 (2002), the Tax Court found that one of the reasons why the organization did not qualify for exemption from federal income tax was because it could not prove that it was not organized to serve the private interests of its founder.

In Airlie Foundation v. Internal Revenue Service, 283 F. Supp. 2d 58 (D.D.C., 2003), the Court determined the organization was operated for non-exempt commercial purposes rather than for exempt purposes because of the commercial manner in which the organization conducted its activities. The organization did not qualify for exemption.

Application of law

You are not described in IRC Section 501(c)(3) because you fail the operational test as described in Treas. Reg. Section 1.501(c)(3)-1(a)(1). As described in Treas. Reg. Section 1.501(c)(3)-1(c)(1), you are not operating exclusively for exempt purposes because your primary activity is promoting the interests of a for-profit business as well as your members. Your President is the owner of a for-profit business and, for a fee, individuals can become a member of the for-profit, earn commissions, and receive additional income for each member they bring in. After five years of employment, your members will earn the right to a home; however, it's unclear exactly how this will work.

When funds inure to the benefit of private individuals, an organization is not operating exclusively for an exempt purpose. Treas. Reg. Section 1.501(c)(3)-1(c)(2). Since your President is an insider and will directly benefit from your activities, you are benefitting a private shareholder and individual as described in Treas. Reg. Section 1.501(a)-1(c). As in Salvation Navy, Inc., you are organized to serve the private interests of your President and founder.

Contrary to Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii), you are operated for the substantial purpose of providing private benefit to your President and members of your organization. You are acting as an employment agency for the related for-profit. The activities you have described are training individuals in various computer services, and in turn, the members earn commissions for services they perform through the for-profit. While the community at large may benefit from employment, they do not comprise a charitable class and the operation of a trade or business not in furtherance of an exempt purpose precludes exemption.

You are like the organization described in Rev. Rul. 72-369 because you are operating in a commercial manner. You bring employees to your President's for-profit business for them to learn a trade and become an employee earning commissions.

You are similar to the organization described in Airlie Foundation. The fact that you provide services to the public for a fee directly competes with other businesses that provide similar services.

As held in Better Business Bureau of Washington, D.C., Inc., a single non-exempt purpose, if substantial, will preclude tax exemption under IRC Section 501(c)(3). Although your stated mission is to find ways to provide homes for less fortunate and eradicate homelessness, there is no evidence that any of your activities further such a purpose. In fact, the promotion of your President's for-profit business is a substantial part of your activities and serves a non-exempt purpose. Finally, the operations of you and the for-profit are so intermingled that they can't be distinguished from each other.

Your position

You state that your core principle is human advancement and that you can be classified as a "think tank" or an R&D (Research & Development) company, which are sectors of the organization. The projects that you develop will not have a price tag per se but will have a fractional price tag, albeit a donation.

Your purpose is not to compete with all the major development companies worldwide or be on the stock exchange, but rather to focus on advancing your society on a global scale. You will pay each member equally regardless of position.

Our response to your position

By directly involving yourself in the for-profit business operations of your President, and by providing a profitable venture for your members, you are primarily serving the private interests of the business and individuals who are employed by the business. You provided no evidence that you are furthering a charitable purpose and the facts show the training you provide is secondary to the commercial activities that occur through the business.

Conclusion

Based on the above facts and analysis, you do not qualify for tax exemption because you are not operated exclusively for purposes described in IRC Section 501(c)(3). You have a substantial nonexempt purpose of promoting the commercial operations of H for the private benefit of your President. You bring employees into the business where they earn commissions and a bonus for each additional member they recruit. Accordingly, you do not qualify for exemption under 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