



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

Date: **October 5, 2021**

Employer ID number:

Form you must file:

Tax years:

Person to contact:

Name:

ID number:

Telephone:

Number: **202152020**
Release Date: 12/30/2021

UIL Number: 501.03-30, 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.

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: August 17, 2021

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

P = Date
Q = State
R = City
S = University
T = Name

UIL:

501.03-30
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 submitted Form 1023-EZ and attested that you have the necessary organizing document that limits your purposes to one or more exempt purposes within the meaning of IRC Section 501(c)(3), that your organizing document does not expressly empower you to engage in activities, other than an insubstantial part, that are not in furtherance of one or more exempt purposes, and that your organizing document contains the dissolution provision required under Section 501(c)(3). You also attested that you are organized and operated exclusively to further charitable purposes and that you have not conducted and will not conduct prohibited activities under Section 501(c)(3).

You selected National Taxonomy of Exempt Entities (NTEE) Code N50 - Recreational Clubs as best describing your activities. On Form 1023-EZ you state your mission is to encourage and cultivate interaction among graduates, former students and friends of S in the geographic region of R.

You were incorporated on P in Q. Your Articles of Incorporation state your purpose is 'social'. You do not have a dissolution clause which provides for the distribution of assets upon dissolution.

Your Bylaws describe your geographic coverage area, affiliation, and purpose. You were formed to serve Q and its surrounding suburbs. You are an independent organization affiliated with T, an organization described in IRC Section 501(c)(3). T's purpose is to solicit and manage gifts for the benefit of S, advance the cause of education, and promote the welfare of S.

S alumni and their spouses/partners residing in the specified geographic region are eligible for membership and may participate in your events and activities. Although the Bylaws state membership is subject to the payment of dues and your financial statement shows receipts from membership dues for and , you currently do not assess membership dues.

Your purpose as stated in your Bylaws is to encourage and cultivate interaction among graduates, former students and friends of S. You will establish a membership of alumni; promote opportunities for fellowship among alumni; promote loyalty among alumni; provide activities and programs that create opportunities for alumni to interact with each other while supporting S; and assist alumni in other meaningful ways to engage with each other and in the life of S. You strive to organize a variety of social, educational and community service activities.

Your activities are aimed at providing opportunities for alumni of S to interact and engage in meaningful ways. You encourage alumni to attend S events. You sell S related merchandise and raffle it off to raise funds. Your board meets to plan and coordinate your events.

are organized to watch S events at local and . Additionally, in-person events are organized for alumni and fans to attend S events. parties are hosted by local and . You do not charge members fees to attend these events. and that host the pay you to host the . The amount you charge them depends on such factors as location, expected attendance, and prior participation.

Members operate in order to network with alumni.

Business networking events typically occur at one of your locations where you invite alumni to network. Some events are held at happy hours. Occasionally, you provide a list of your attendees so the attendees can identify with whom they want to connect.

Your goals include coordinating quarterly events, awarding scholarships, securing additional locations, and increasing business networking.

You award scholarships annually during semester. Funds are to be used specifically to cover costs associated with attending S. Recipient selection is based on the student's hometown location, financial need, and academic records. Funds are disbursed directly to S.

Your income derives primarily from local bars and that host the of S games. You also receive income from raffles and other fundraising events. Your financial statement for and shows income derived from membership dues (even though statements in supplemental information provided state that

you do not collect membership dues) and there was no income recorded as gross receipts received from the host and .

Your expenses include grants to other organizations, items purchased for giveaways and conferences, conventions and meeting expenses. Your financial statements for and does not show any distributions identified as scholarships.

Law

IRC Section 501(c)(3) provides, in part, for the exemption from federal income tax to organizations organized and operated exclusively for charitable, religious or educational purposes, provided that no part of its 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) 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(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(iii) 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, 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).

Treas. Reg. Section 1.501(c)(3)-1(b)(4) provides that an organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles be distributed for one or more exempt purposes.

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 including religious, charitable, scientific, testing for public safety, literary, educational, fostering national or international sports competitions and prevention of cruelty to children and animals only if it engages primarily in activities which accomplish one or more of such exempt purposes. 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, as used in section 501(c)(3), 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 56-486, 1956-2 C.B. 309 describes an alumni association formed at the will of the university's administration. The organization was organized primarily for the purpose of promoting the welfare of the university. It performs duties which are ordinarily carried on by operating functions of the university; it operated as an integral part of the university. It was subject to the control of the university as to its activities and use of funds. The alumni association qualified for exemption under IRC Section 501(c)(3) because it was organized and operated exclusively for educational purposes.

Rev. Rul. 60-143, 1960-1 C.B. 192 describes an alumni association which qualified for exemption under IRC Section 501(c)(3). Although the organization engaged in social and recreational activities, those activities were determined to be insubstantial in comparison to its other activities.

Rul. 73-439, 1973-2 C.B. 176 states a student club or society is not educational if its activities, membership criteria, or other operational aspects reflect purposes that are not exclusively educational.

In Better Business Bureau 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. The Petitioner's activities were largely animated by non-exempt purposes directed fundamentally to ends other than that of education or charitable.

Application of law

You are not described in IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) because you fail both the organizational and operational tests.

Specifically, your Articles reveal that you were formed for social purposes; therefore, you do not have an exempt purpose described in IRC Section 501(c)(3) as required in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) and Treas. Reg. Section 1.501(c)(3)-1(b)(1)(iii).

Your Articles do not have a dissolution clause as required in Treas. Reg. Section 1.501(c)(3)-1(b)(4).

You are not operated exclusively for an exempt purpose as described in Treas. Reg. Section 1.501(c)(3)-1(c)(1). The information provided indicates you engage in a substantial non-exempt activity which furthers social purposes and not IRC Section 501(c)(3) exempt purposes.

Your activities do not accomplish exclusively educational purposes as required in Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i). While the awarding of scholarships is educational activity, you engage in more than an insubstantial amount of social activities.

You are not like the alumni association described in Rev. Rul. 56-486. You have not demonstrated that you are an integral part of the operations of S. S does not exercise control over your activities and expenditures.

You are not like the organization described in Rev. Rul. 60-143. The social and recreational activities it conducted were insubstantial. Your social activities, and networking, are your primary activities. Therefore, your activities are not exclusively educational.

You are like the organization described in Rev. Rul. 73-439 where the functions of the organization were to a significant extent fraternal and designed to stimulate fellowship among the membership. Although the meetings

were presumably of some educational value the overall activities of the organization were not shown to be primarily educational in the charitable sense of serving a public interest or purpose. On the contrary, the public benefit flowing from the activities carried on by the members in their closed meetings appeared to be either nonexistent or so remote as to require the conclusion that the organization's activities do not substantially go beyond the promotion of personal contacts and fellowship among members. Likewise, your purpose and activities are social and not exclusively educational because you are providing opportunities for alumni of S to interact and engage in meaningful ways.

As held in Better Business Bureau, a single non-exempt purpose, if substantial, will preclude tax exemption under IRC Section 501(c)(3). Your social activities are a substantial part of your activities, therefore, exemption is precluded under Section 501(c)(3).

Conclusion

You do not qualify for recognition of exemption from federal income tax as an organization described in IRC Section 501(c)(3) because you do not meet the organizational and operational tests.

You do not meet the organizational test under IRC Section 501(c)(3) because your Articles of Incorporation do not include appropriate purpose and dissolution clauses.

You do not meet the operational test under IRC Section 501(c)(3) because your activities further a substantial non-exempt purpose.

Because you do not meet the organizational and operational tests, 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