



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
1100 Commerce Street, MC 4920DAL
Dallas, TX 75242

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Number: **202226011**
Release Date: 7/1/2022

Date:
February 23, 2021
Taxpayer ID Number:
Form:
Tax Period(s) Ending:
Person to Contact:
Identification Number:
Telephone Number:
Fax Number:

UIL: 501.03-00

CERTIFIED MAIL –Return Receipt Requested
LAST DAY FOR FILING A PETITION WITH THE TAX COURT:

Dear :

This is a final determination that you do not 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), effective January 1, 20 . Your determination letter dated January 31, 20 is revoked.

Our adverse determination as to your exempt status was made for the following reasons:

Organizations described in IRC Section 501(c)(3) of the Code and exempt under Section 501(a) must be both organized and operated exclusively for exempt purposes. You have not demonstrated that you are operated exclusively for charitable, educational, or other exempt purposes within the meaning of 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. You have not established that you have operated exclusively for an exempt purpose.

As such, you failed to meet the requirements of IRC Section 501(c)(3) and Treasury Regulations Section 1.501(c)(3)-1(a), in that you have not established that you were organized and operated exclusively for exempt purposes and that no part of your earnings inured to the benefit of private shareholders or individuals.

Contributions to your organization are no longer deductible under IRC Section 170.

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms, and information please visit www.irs.gov.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of IRC Section 7428 in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims, or 3) the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed within 90 days from the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment by referring to the enclosed Publication 892. You may write to the courts at the following addresses:

United States Tax Court
400 Second Street, N.W.
Washington, DC 20217

U S Court of Federal Claims
717 Madison Place, N.W.
Washington, DC 20005

U. S. District Court for the District of Columbia
333 Constitution Ave., N.W.
Washington, DC 20001

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

We'll notify the appropriate state officials (as permitted by law) of our determination that you aren't an organization described in IRC Section 501(c)(3).

You may be eligible for help from the Taxpayer Advocate Service (TAS). 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 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 1-877-777-4778.

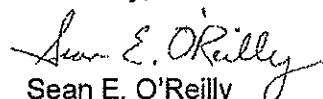
Taxpayer Advocate assistance can't be used as substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determination, nor extend the time fixed by law that you have to file a petition in Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

You can get any of the forms or publications mentioned in this letter by calling 800-TAX-FORM (800-829-3676) or visiting our website at www.irs.gov/forms-pubs.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter.

Enclosures:
Publication 892

Sincerely,



Sean E. O'Reilly
Director, Exempt Organizations Examinations



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

Date:
May 01, 2020
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:
ID number:
Telephone:
Fax:
Address:

Manager's contact information:

Name:
ID number:
Telephone:
Response due date:

CERTIFIED MAIL – Return Receipt Requested

Dear :

Why you're receiving this letter

If you agree

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(3) for the period above.

If you disagree

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final adverse determination letter.

Contacting the Taxpayer Advocate Office is a taxpayer right

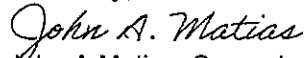
The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

Additional information

You can get any of the forms and publications mentioned in this letter by visiting our website at www.us.gov/forums_pubs or by calling 800-TAX-FORM (800-829-3676).

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,



John A Matias, Supervisory, IRA

For: Maria Hooke

Director, Exempt Organizations Examinations

Enclosures:
Form 886-A
Form 6018

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanation of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

ISSUES

Whether the tax exempt status of _____ should be revoked as of January 1, 20____, for failing to comply with the organizational test and the operational test within the meaning of Section 501(c)(3) of the Internal Revenue Code.

FACTS

(hereinafter refers to “_____”) was incorporated in the state of _____ on September 1, 20____. _____ submitted the Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, on September 27, 20____ and received its exemption as an organization exempt under Sections 501(c)(3) & 509(a)(2) of the Internal Revenue Code (“the Code”) on January 31, 20____.

_____ states the following information on the “Schedules” attached to its Form 1023:

- *“Schedule 1: Part II, Line 5—How Officers and Directors are Selected:*
 - *The officers and directors of _____ are the same members that serve the _____, the 501(c)(6) organization that established _____.”*

- *“Schedule 2: Part II, Line 5 and Part IV—Narrative Description of Activities:*
 - *_____ was formed solely to provide emergency assistance to individuals who are associated with the _____ and who are in need of temporary shelter, health care, or basic necessities because of financial or a natural disaster, casualty, fire or similar emergency. To assist individuals who have*

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been associated with the _____ and who because of age, physical disability, illness or other reason, have become incapable of self support, and to care for (including burial) and relieve the poverty and distress of such worthy individuals and their immediate families.

is funded by the _____ and accepts private donations but does not solicit donations.

may make distributions of income or principal and otherwise provide financial assistance to organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 for the public welfare or for charitable, scientific, or educational purposes to the fullest extent permitted by the _____ as amended.”

- *“Schedule 3: Part V—Compensation of Officers and Directors*
 - *President:*
 - *Vice President:*
 - *Executive Director:*
 - *Secretary/Treasurer:*
 - *Owner Directors:*

 - *Owner-Trainer/Trainer Directors:*

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- 1st Alternate:
- 1st Alternate:
- 2nd Alternate:

(No compensation is paid to any of the officers or directors by _____)”

- “Schedule 4: Part V, 2a and Part VI, 3—Family and Business Relationships

- _____ purpose is to provide emergency assistance to individuals who are associated with the _____ and who are in need [in need] of temporary shelter, health care, or basic necessities because of financial or natural disaster, casualty, fire or similar emergency. To assist individuals who have been associated with the _____ and who, because of age, physical disability, illness or other reason, have become incapable of self-support, and to care for (including burial) and relieve the poverty and distress of such worthy individuals and their immediate families.

This community includes family members of the Board and members who may have business relationships with each other. Assistance awards are subject to a vote of the Board and members with a conflict must abstain from voting. _____ is also in the process of developing a set of bylaws that will include a conflict of interest policy.”

- “Schedule 5: Part V, 3b—Common Control

- The Executive Director and Secretary/Treasurer are full time employees of the _____ and are paid salaries by the _____. The Board members of the _____ also serve as the Board members of _____. Primarily all of the funding for _____ comes from _____.”

...

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- “Schedule 7: Part VIII, Line 15—Close Connections
 - shares common officers and directors with the _____, a 501(c)(6) organization.”

Articles of Incorporation dated September 01, 20____ state its exempt purposes as follows:

“... its broad nonprofit purposes shall include the following:

(A) Provide assistance to individuals who have been associated with _____ related businesses and who are in need of temporary and long-term shelter, health care and basic necessities because of a natural disaster, casualty, fire or similar emergency;

(B) Provide assistance to _____ that are distressed and financially needy because of a natural disaster, casualty, fire or similar emergency;

(C) Provide assistance to individuals who have been associated with the _____ industry and who, because of age, physical disability, illness or other reasons, have become incapable of self-support, and to care for (including burial) and relieve the poverty and distress of, such worthy individuals and their immediate families; and

(D) Make distributions of income or principal and otherwise provide financial assistance to organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 for the public welfare or for charitable, scientific, or educational purposes to the fullest extent permitted by the _____ as amended; [.]”

Form 990-EZ, Short Form, Return of Organization Exempt from Income Tax, for tax year ending December 31, 20____ states the organization’s primary exempt purposes on Part III, Statement of Program Service Accomplishments, as follow:

“Payment of Medical Costs for People in the _____ Industry.”

The _____ did not adopt/maintain bylaws.

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Related organization:

_____ was formed by _____ ("_____"). _____ was incorporated in the state of _____ on January _____, 19_____ and received its exemption as an organization exempt under Section 501(c)(6) of the Code in October 19_____ and it is exempt under group ruling number _____.

_____ is a membership organization and it defines its membership as follows:

"Any owner, _____, or _____ who is currently licensed as such by the _____ or is a tenure member as defined in section _____ () shall be E(e)ligible for membership in _____ [_____]. Any partnership, corporation or other association, which is so licensed, shall likewise be eligible for membership."

All the officers and board members from _____ were also the officers and board members for _____ and _____ shared the same facility.

's Parent organization

_____ was exempt under a group ruling; _____ was the parent organization.

_____ 's website states that both national benefits and local benefits are available to the members. The website lists some examples of the local benefits; provides links to all the local affiliates' websites and directs the members to contact their local affiliate for the specific information on the local benefits. Currently, the detailed local benefits information are no longer posted on _____ 's website, but before April 20_____, the information was posted.

Examination on the related organization

The Internal Revenue Service ("IRS") initiated an examination on _____ Form 990EZ for 20_____ calendar year. The treasurer _____ stated the following information about _____:

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- The reason to form _____ was to have _____ pay benefits to _____'s members.
- _____ realized that as an organization exempt under section 501(c)(6) of the Code, _____ is not allowed to provide any benefit to its members and therefore they wanted to form another organization to take care of the member benefits.
- _____ was formed to solely provide member benefits.
- After _____ was formed, _____ started to oversee _____ operation.

Membership:

_____ has no member.

Activity:

The review of the Transaction Reports and interview conducted revealed that in 20____, _____ only activity was to provide benefits such as insurance and some discount programs for dental, medical, vision, etc. to _____'s members and other related individuals.

Benefits provided by _____:

_____ was formed solely to provide the following benefits to _____'s members and other related people:

- Dental Insurance
- Vision discount program and Prescription drug discount program
- Medical discount program
- Other benefits

1. Dental Insurance

_____ provided a dental insurance to all the _____ members for free. _____ purchased the _____ ("_____") and paid monthly premium in 20____.

- According to the _____:

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- o “ () is a prepaid dental care organization that has been committed to delivering dental care at an affordable cost since 19 .”
- also defines following information:
 - o Advantages
 - o Enrollment
 - o Appointments
 - o Member costs
 - o Orthodontics for children and adults
 - o
 - o Emergency care benefit
 - o Eligible dependents
 - o conversion plan

All the members were % covered for the dental insurance including , (“ ”) or (“ ”).

The were the ’ employees; they were not ’s members, but they were also % covered for the dental insurance (see table below for summaries).

#	Individual	Member?	Covered for Dental Insurance?	Notes
1		Yes	Yes	
2		Yes	Yes	
3		Yes	Yes	
4		No	Yes	They were the ’ employees.
5		No	No	
6		No	No	
7	Other	No	No	They were the previous officer, , employee, employee

In 20 , individuals were enrolled in the including ; ; ; and other individuals who were related to ; ; ; ;

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, they were: previous , (also 's) treasurer, members from (" "), employees from , and member spouses.

(" ")	
Individual	Number of Individual
Other	
Total	

The dental insurance was also available to members' family member(s), but an extra fee was charged; the amount of the extra premium depended on how many family members were covered. In 20 , among the enrolled individuals, individuals had family members covered; individuals had family members covered. The other individuals only had himself/herself covered.

#	# of Individuals Enrolled	# of Family Member Covered	Notes	Monthly Premium
1			Only "Self" was covered.	\$.
2			family members were covered.	\$.
3			family members were covered.	\$.
Total				

According to the Archive website from April 7, 20 to April 17, 20 , the posted the local member benefits for ; the dental insurance program was stated as follows:

- "The following people are eligible to sign up for Dental Insurance: Currently licensed, validated, participating and signed on as an member:

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- *validated and working on the*
- *, their spouse or minor, legally dependent children A[a]lso eligible to participate but required to pay the monthly premium*
- *person*
- *Independent Contractors*
- *Vendor*
- *official*
- *employee*
- *Professional private contractor (, , etc.)*
- *Vendor's employee*
- *employee*
- *Dental Premiums are subject to periodic change."*

2. Vison discount program and Prescription drug discount program

The came with discount programs:

- o and Savings offered by (" ").
- o Prescription Drug discount Program from

a. Vision Care Discount and Savings

The Vision Care Discounts and Savings is stated on the as follows:

- "You and your family can save on eye exams, glasses and sunglasses. If you have enrolled in the dental benefit, you're eligible for a vision discount program offered by . The is available to you and your family at no extra cost.

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- The _____ provides discounts on exams, glasses and sunglasses from doctors in _____' national network. Select a doctor from more than _____, _____ total access points nationwide.
 - Services and discounts
 - You and your dependents receive these discounted services through a _____ provider, plus _____ like rebates and special offers.

Service	Reduced Prices and Discounts
Eye Exam	\$ _____ with purchase of a complete pair of glasses. _____ % off without purchase.
Retinal Screening	Routine screening guaranteed to not exceed \$ _____.
Lenses	With purchase of a complete pair of glasses: 3. Single vision \$ _____ 4. Lined bifocal \$ _____ 5. Lined trifocal \$ _____ 6. Lenticular \$ _____
Lens Enhancements	Average savings of _____ - _____ % off lens enhancements such as progressive, scratch-resistant and anti-reflective coatings.
Frames	_____ % off the cost with purchase of a complete pair of glasses.
Sunglasses	_____ % off unlimited non-prescription sunglasses from any VSP provider within _____ months of the last covered eye exam.
Contact Lenses	_____ % off contact lens exam.
Laser Vision Correction	Discounts available through _____ -contracted facilities.

This discount program is not vision insurance.”

According to the Archive website from April 7, 20____ to April 17, 20____, the vision program was posted under the _____ local member benefits on _____ website as followings:

- “EYE CARE PROGRAM
- GUIDELINES FOR _____, _____, _____ AND _____:
 - The Eye Care program is a membership benefit provided by the _____ to _____ member _____ and _____ while they are participating at a commercial

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in as well as their spouses and grooms. These guidelines may be changes at the sole discretion of the and may be modified, extended, altered and revised from time to time without prior notice.

- *The will assist eligible persons with the cost of an exam and prescription eye care up to a total of \$. every years. Any amount over \$. is the financial responsibility of the applicant. The is not an insurance company. Under IRS guidelines, the must make payments directly to the service/product provider. Reimbursement to individuals is not allowed...*
- **ELIGIBILITY:**
 - *and —Licensed, validated and have started a at the current commercial .*
 - *—Licensed, validated and have worked for a for days at the current commercial .*
- **PROCEDURE:**
 - *Bring your validated license to the office to verify eligibility and pick up an application. Complete the application and return it to the office along with the cost estimates or unpaid bills that include the name and address of the providers(s).*
 - *Checks up to a total of \$. made payable to the provider(s) will be given to you to return to the provider so your order for glasses/contact lenses will be processed.*
 - *..."*

b. Prescription Drug Discount Program:

The prescription drug discount program is stated on the Dental Enrollment & Coverage Guide as follows:

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- “As a member of _____, you are eligible for a prescription drugs discount through _____ . This program offers substantial discounts on prescription drugs purchased through affiliated pharmacies.
- How the program works:
 - When you need to fill a prescription, go to _____ of the participating pharmacies and present your _____ identification card with the prescription to receive the following discounts:
 - a. **Brand name drugs**—Offered at the average wholesale price less _____ %, plus a \$. _____ dispensing fee.
 - b. **Generic substitutes**—Offered at the average wholesale price less _____ %, plus a \$. _____ dispensing fee.
 - The program is not valid in combination with other discount programs, Health Maintenance Organization prescription benefits or prescription cards.
 - The program is available to _____ members and their families. Family members do not have to be enrolled in prepaid benefits to use the prescription drug discount program. This benefit is good on medical and dental prescriptions.
 - Currently, pharmacies located in these stores participate in the prescription drug discount program. Participation may vary.
 - c.
 - d.
 - e.

3. Medical Discount Program:

The foundation contracted with _____ doctor in _____, _____ to provide the medical services to _____ members. All the _____ members are eligible to see the doctor. The _____ covered the costs for the members for the followings:

- All expenses incurred during office visit such as co-pay, examination fee, lab fee (if the lab was performed in doctor's office), etc. The maximum amount is \$ _____ per visit.

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- o Lab fee, if the lab was performed outside of the doctor's office.

According to the _____ website from April _____ to April _____ the medical discount program was posted under the _____ local member benefits on _____ website as follows:

“See _____ *Office for forms and information on visits.*”

4. Other benefits

Except the above benefits, the _____ also provided other benefits to all the members, they were:

a. Financial and emergency assistant:

- Any emergency of necessities such as temporary shelter, health care, etc.
- Financial assistance for food, housing, transportation, etc.

All the _____ members had to meet the property guideline to receive these benefits.

b. Dead benefits: all the _____ members are eligible for the dead benefits, the _____ made the payments directly to the funeral company. In 20____, \$ _____ was available for each member. The _____ also purchased flowers for the funeral service.

c. _____ program: the _____ paid for the educational programs for the _____ such as _____ related learning classes, etc.

According to the _____ website from April _____, to April _____, the “other benefit” was posted under the _____ local member benefits on National _____ website as follows:

- “ _____ *Local _____ Information*
- _____, _____ —*Guidelines For _____ Applicants*

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- o *The _____ Program is intended to provide assistance to _____ unable to meet their financial obligations for medical emergency or other crisis situations. The _____ is not an insurance company. This program is not meant to take the place of any type of insurance nor be relied upon as a form of insurance. All applications will be considered on an individual basis.*
- o *Under IRS regulations, any assistance must be paid directly to the provider of the service. Reimbursement is not allowed...*
- o *An application for assistance must be filled out completely, approved and signed by at least _____ members of the _____ Committee.*
- o *...*
- o *Statements must accompany all applications except when appointments have been made and the bills will be submitted when received.*
 - *Amounts up to, but not exceeding, \$ _____, may be approved for payment by the _____ Committee or _____ Officers.*
 - *Amounts above the \$ _____, limited may be submitted by the Committee to the [_____] Board of Directors for approval.*
 - *Any single person with a gross income for the past _____ month period of more than \$ _____, will not be eligible for assistance.*
 - *Any family with a gross income for the past _____ month period of more than \$ _____, will not be eligible for assistance.*

NOTE: Each application is reviewed on an individual basis. Please do not hesitate to apply if you feel your circumstances warrant consideration although you may not meet the above described criteria."

Financial:

The _____ was solely funded by _____. _____ transfers funds annually to the _____ for the amounts enough to cover the dental, vision, and medical expenses. The _____ spent about the same amount of money every year. Normally, _____ treasurer cut a check and deposited the funds to the _____ bank account; however, in 20 _____, the fund, \$ _____, _____,

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was deposited directly from _____ to _____ bank account. _____ was a for-profit entity that operated _____, _____ contracted with and received commissions from _____ for _____ members' participation.

In 20____, the _____ generated the following revenue. Majority of the fund was contributed from _____ and the other was the dental premiums paid by the non-qualified persons.

#	Amount	%	Source of Income—Year
1	\$ _____,	%	From _____ but deposited from _____.
2	\$ _____,	%	Dental premiums paid by non-qualified persons.
Total	\$ _____,	%	

In 20____, the _____ incurred the following expenditures. All of them were spent on different types of member benefit.

#	Amount	%	Expenditure—Year
Dental & Medical Expenses:			
1	\$ _____,		Dental premium payment-
2	\$ _____.		Eye glasses
3	\$ _____,		Health Clinic-Medical expenses
Total:	\$ _____,	%	
Other Benefit:			
4	\$ _____.		Dead benefits
5	\$ _____.		Flowers/gifts/awards
6	\$ _____,		Other
7	\$ _____.		_____ program
Total:	\$ _____,	%	
Other Expenses:			
8	\$ _____.		Professional fees
9	\$ _____,		Not reported on financial report
Total:	\$ _____,	%	
Total:	\$ _____,		

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Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

LAW:

Section 501(c)(3) of the Internal Revenue Code (“Code) of 1986 provides, in part, for the exemption from federal income tax of organizations organized and operated exclusively for charitable, religious, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations (“Regulations”) states that, in order to be exempt as an organization described in section 501(c)(3) of the Code, 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.

Section 1.501(c)(3)-1(b)(4) of the Regulations states that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, if upon dissolution, such assets would by reason of a provision in the organization's articles of organization or by operation of law, be distributed for one or more exempt purposes.

Section 1.501(c)(3)-1(c)(1) of the Regulations provides that an organization will be regarded as operated exclusively for exempt purposes only if it engages primarily in activities, which accomplish one or more 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.

Section 1.501(c)(3)-1(d)(1)(i) of the Regulations provides that an organization may be exempt as an organization described in the Code Section 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes:

- (a) Religious,
- (b) Charitable
- (c) Scientific,

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- (d) Testing for public safety,
- (e) Literary
- (f) Educational, or
- (g) Prevention of cruelty to children or animals.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations provides, in part, that the organization must establish 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.”

Section 1.501(c)(3)-1(d)(2) of the Regulations provides a definition of the term charitable as it is used in section 501(c)(3). The regulation provides that the term charitable is used in its generally accepted legal sense and is not to be construed as limited by the separate enumerations in section 501(c)(3). The term charitable includes other tax-exempt purposes which may fall within the broad outlines of charity as developed by judicial decisions. The term charitable includes lessening the burdens of government.

Revenue Ruling 61-170, 1961-1 C.B. 112, held that an association composed of professional private duty nurses and practical nurses which supported and operated a nurses' registry primarily to afford greater employment opportunities for its members was not entitled to exemption under section 501(c)(3) of the Code. Although the public received some benefit from the organization's activities, the primary benefit of these activities was to the organization's members.

Rev. Rul. 67-367 1967-2 C.B. 158 states that a nonprofit organization whose sole activity is the operation of a 'scholarship' plan for making payments to pre-selected, specifically named individuals does not qualify for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

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Revenue Ruling 69-175, 1969-1 C.B. 149, held that a nonprofit organization, formed by parents of pupils attending a private school to provide school bus transportation for its members' children served a private rather than a public interest and did not qualify for exemption under section 501(c)(3) of the Code.

TAXPAYER'S POSITION

The _____ does not agree with the IRS position.

GOVERNMENT'S POSITION

It's the government's position that the _____ does not qualify for exemption from Federal income tax under Section 501(c)(3) of the Code because it does not operate exclusively for one or more of the purposes specified described under sections 1.501(c)(3)-1(d)(1) to (d)(5) of the Regulations.

First, the _____ did not meet the public support test in 20____ and all the prior years.

The _____ was granted the exemption as a public charity under sections 501(c)(3) & 509(a)(2) of the Code; however, it did not meet the public support test for any of the years since it has been formed. Public support is measured using a 5-year computation period that includes the current and four prior tax years (including short years).

For an organization to qualify as a publicly supported organization under section 509(a)(2) of the Code, either:

- More than 33 1/3 of its support must come from contributions, membership fees, and gross receipts from activities related to its exempt functions or from amounts which are not unrelated trades or business under section 5013 of the Code, and
- No more than 33 1/3% of its support must come from gross investment income and net unrelated business income (less section 511 tax) from business acquired by the organization after June 30, 1975.

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For an organization to qualify as a publicly supported organization under section 170(b)(1)(A)(vi) of the Code, either:

- 33 1/3% or more of its total support must come from governmental agencies, contributions from the general public, and contributions or grants from other public charities, or
- 10% or more of its total support must come from governmental agencies, contributions from the general public, and contributions or grants from other public charities and the facts and circumstances indicate it is a publicly supported organization.

In 20 , the generated sources of income: % of its funds was contributed by , its related organization, and the other % was the dental premiums paid by the "non-qualified persons"; neither of them was generated from the general public, government agency, membership fees, exempt function activities, etc. Per the treasurer , the generated the same types of income every year since it has been formed. The did not meet any of the public support test requirements mentioned above in any of the years since it has been formed; therefore, the is not exempt as a public charity described in either sections 509(a)(1) & 170(b)(1)(A)(vi) of the Code or section 509(a)(2) of the Code.

Second, the failed the operational test.

For an organization to maintain its exempt status, it must meet the operational test under section 1.501(c)(3)-1(a)(1) of the Regulations. The operational test generally requires that an organization operates consistent with the requirements of the Code. Otherwise, the organization is not operated exclusively for charitable purpose, and would lose tax-exempt status.

According to the Form 1023, the was formed by its related organization, , and was formed solely to provide benefits to members and other related individuals; therefore, the was formed to serve a pre-selected group of people instead of the general public.

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In 20 , all the expenditures incurred were spent on the dental insurance, medical discount program, and other benefits provided to members and other related individuals such as members' spouses, members' employees, 's officer, etc. These eligible beneficiaries were pre-selected as members of and related individuals. The private benefits to these individuals who were not part of the charitable class described in the articles and it is prohibited as described under section 1.501(c)(3)-1(d)(1)(ii) of the Regulations.

According to section 1.501(c)(3)-1(d)(1)(ii) of the Regulations, an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest. Thus, even if an organization has many activities which further exempt purposes, exemption may be precluded if it serves a private interest. The activities served private benefits and is similar to the organization described in Rev. Rul. 67-369 that the organization paid "scholarships" to pre-selected, specifically named individuals designated by subscribers, the organization is serving private interests rather than public charitable and educational interests under section 501(c)(3) of the Code; therefore, it does not qualify for exemption under 501(c)(3) of the Code.

CONCLUSION

Based on the information provided during the examination, we conclude that the does not qualify for exemption under Section 501(c)(3) of the Code because it served the private benefits rather than public. These activities failed to comply with the criteria as required by section 501(c)(3) of the Code and the Regulations, thereunder. It is recommended that the exempt status be revoked as of January 1, 20 . The is required to submit Form 1120 for the period ending December 31, 20 and all subsequent years.