



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

P.O. BOX 2508
CINCINNATI, OH 45201

Number: 202228016
Release Date: 7/15/2022

UIL: 501.04-00, 501.33-00

Date:
4/18/2022
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

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)(4). 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.

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 Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 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:
Letter 437
Redacted Letter 4034
Redacted Letter 4038



Department of the Treasury
Internal Revenue Service
PO Box 2508
Cincinnati, OH 45201

Date: 2/15/2022

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date of formation

C = State of formation

d dollars = Amount of membership dues

UIL:

501.04-00

501.33-00

Dear

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(4). 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)(4)? No, for the reasons stated below.

Facts

According to your application, you provide high quality umpire baseball services to high school, youth, and non-professional adult baseball teams by providing _____ umpires per game depending on the level of play.

You formed on B in the state of C as a nonprofit public benefit corporation. You subsequently switched to a mutual benefit corporation with members.

Your bylaws show that you are a membership organization that is governed by a Board of Directors composed of a Commissioner, President, Vice-President, Treasurer, Secretary, _____ Members-At-Large and an immediate Past President. The Commissioner is selected by the Board of Directors. The duties of the Commissioner include reviewing membership applications, conducting membership interviews, making game assignments, providing information to members concerning the games or game management and to act as liaison between you and other entities served by you.

Your bylaws state that your mission is to recruit, train, and promote the development of baseball umpires dedicated to professional excellence; to serve schools and other baseball organizations by assigning your

members as independent contractors to officiate baseball games; to serve your members by acting as their agent in collecting, accounting for, and disbursing game fees; to cooperate with the C School Activities Association and the C Athletic Officials Association as an affiliated local association in compliance with their policies and rules; and to promote interest in and provide information concerning the game of baseball and the craft of umpiring baseball.

Membership is available to any person, who engages in baseball umpiring and wishes to support and further your mission. To be considered for membership, an interested individual must complete an application detailing their level of education, experiences, etc., and submit to an interview. The applicant must be at least years of age and not have been convicted of the following crimes during the 10 years prior to their application: unlawful acts of violence, or unlawful threats of violence; unlawful sexual acts with any person, including children; unlawful felony possession, use or sale of controlled substances; and has not been convicted of a crime involving a minor child at any time. In addition, the prospective member must authorize you to request from the C State Police a report regarding any record of arrest or conviction.

You charge each active member dues of d dollars. The game fees that you charge organizations to officiate their games are paid to the members who work the games. Assigning and other fees are charged to the organizations that engages your services and those fees are used to compensate the Commissioner and to cover your costs of operation.

Law

IRC Section 501(c)(4) provides for the exemption from federal income tax of organizations not organized for profit but operated exclusively for the promotion of social welfare. Further, exemption shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(4)-1(a)(1) states a civic league or organization may be exempt as an organization described in IRC Section 501(c)(4) if it is not organized or operated for profit and it is operated exclusively for the promotion of social welfare.

Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i) provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this Section is one that is operated primarily for the purpose of bringing about civic betterments and social improvements.

Rev. Rul. 78-132, 1978-1 C.B. 157, found a community cooperative organization formed to facilitate the exchange of personal services among members was operating primarily for the private benefit of its members and was not exempt from tax as a social welfare organization under IRC Section 501(c)(4). The fact that payments for services were made in kind and did not involve a monetary exchange did not derogate from the economic benefits accruing to members. Any benefits to the community were not sufficient to meet the requirement of the regulations that the organization be operated primarily for the common good and general welfare of the people of the community. Accordingly, this organization is not exempt from federal income tax as a social welfare organization under Section 501(c)(4).

The court case, Contracting Plumbers Cooperative Restoration Corp. v. United States, 488 F. 2d 684 (2nd Cir. 1973), cert. denied, 419 U.S. 827, describes an organization whose purpose was to ensure the efficient repair of "cuts" in city streets which resulted from its members' plumbing activities did not qualify for exemption under IRC Section 501(c)(4). The Court concluded that there were several factors which evidenced the existence of a substantial nonexempt purpose. The factors included, but were not limited to, the members' substantial business interest in the organization's formation and the fact that each member of the cooperative enjoyed economic benefits precisely to the extent they used and paid for restoration services.

Application of law

You are not as described in IRC Section 501(c)(4) and Treas. Reg Section 1.501(c)(4)-1(a)(1) because your activities are primarily focused on providing a benefit for your members rather than promoting civic betterment or social welfare of your community since you negotiate umpiring assignments on your member's behalf with other organizations, collect payments on your member's behalf and then pay them as independent contractors. These facts illustrate you are serving the private interests of your members and not the people of your community. Because you operate exclusively to provide your members with employment opportunities, you do not meet the provisions of Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i) and as a result you are not operating exclusively for the promotion of social welfare and are not primarily engaged in promoting in some way the common good and general welfare of the people of the community.

You are similar to the organization described in Rev. Rul. 78-132, which found that an organization formed to facilitate the exchange of services among members was operating primarily for the benefit of the members and not for the general welfare of the community. You facilitate the employment of your members and then act as a pass-through for the payment of their services. In the ruling, the fact that the payments for services were made in-kind and did not involve the exchange of money did not detract from the economic benefits accruing to members. In your case, there is a monetary exchange for services which emphasizes the fact that you operate primarily to provide economic benefit to your members.

You are like the organization in Contracting Plumbers Cooperative Restoration Corp. v. United States, in that your members have a business interest in your formation and your existence. Your services, therefore, benefit your members rather than the public at large.

Conclusion

You do not qualify under Section 501(c)(4) of the Code because your activities are primarily for the benefit of your members. You are not operating exclusively for the promotion of social welfare.

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 Determination 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
PO 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