



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

Date:
05/19/2022
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Number: **202232018**
Release Date: 8/12/2022

UIL: 501.33-00, 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 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: March 28, 2022

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

X = Date

Y = State

Z = High School

UIL:

501.33-00

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, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

You attested on Form 1023-EZ that you are organized and operated exclusively to further educational purposes. You also attested that you have not conducted and will not conduct prohibited activities under IRC Section 501(c)(3).

During review of your Form 1023-EZ, detailed information was requested supplemental to your attestations.

You were formed as an unincorporated association on X in the state of Y. You submitted a document that listed your governing body members, your purpose, and was signed by two members of your governing body on X. It was submitted in response to a request for your original organizing document.

Your purposes as described in your organizing document indicate you were formed by the members of Z's student government committee of a specific year's graduating class. During the class's four years of high school, you had various fundraisers to fund the class prom and other senior events, but these events were cancelled because of a pandemic. The money raised will instead be used to fund class reunions. Portions of the

money will be withdrawn by the members of the committee every five years to help pay for class reunions and other expenses, but the account will remain relatively inactive during the time between class reunions. The document makes no specific provisions for your remaining assets in the event of the dissolution of your organization.

Your only asset is a bank account holding the total of what was raised prior to your formation. No details were provided on future sources of revenue or the nature of future expenditures because no activity will occur until the -year anniversaries of the class's graduation. Class reunions will be attended mostly by members of the graduating class who raised the funds.

You have operated outside of the school system since you were formed on X, and all future activities such as class reunions will be conducted outside of the school system.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for religious, charitable, or other purposes as specified in the statute. No part of the net earnings may inure to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) states that in order to qualify under Section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either the organizational or 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 which in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(iv) provides that in no case shall an organization be considered to be organized exclusively for one or more exempt purposes, if, by the terms of its articles, the purposes for which such organization is created are broader than the purposes specified in Section 501(c)(3) of the Code.

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 only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized and operated exclusively for exempt purposes unless it serves a public rather than a private interest.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) defines the term "educational" as the instruction or training of the

individual for the purpose of improving or developing his capabilities or 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, held that an association which (1) is organized primarily for the purpose of promoting the welfare of the university with which it is affiliated, (2) is operated as an integral part of it, and (3) is subject to the control of the university as to its policies and destination of funds, qualifies for exemption under IRC Section 501(c)(3) as a corporation organized and operated exclusively for educational purposes. The financial affairs of the organization were under the direct control of the administrative officers of the university. The association performed duties which ordinarily fall within the operating functions of the university and no income inures to the benefit of any private individual.

Revenue Ruling 60-143, 1960-1 C.B. 192, found that social and recreational activities carried on by an alumni association of a university, which are merely incidental to its basic purpose and objective of advancing the interests of the university, do not of themselves preclude such organization from tax exemption under IRC Section 501(c)(3).

Revenue Ruling 69-175, 1969-1 C.B. 149, describes an organization formed by parents of pupils attending a private school. The organization provided school bus transportation for its members' children. The organization's income approximately equaled the expenses involved in its operations. The ruling states that when a group of individuals associate to provide a cooperative service for themselves, they are serving a private interest. By providing bus transportation for school children, the organization enabled the participating parents to fulfill their individual responsibility of transporting their children to school. Thus, the organization serves a private rather than a public interest. Accordingly, it is not exempt from federal income tax under IRC Section 501(c)(3).

Revenue Ruling 69-573, 1969-2 C.B. 125, ruled on the tax-exempt status of a fraternity. The fraternity in question was an organization of students and alumni, with those currently attending school comprising its active membership. The fraternity owned a chapter house, which was built with the proceeds from contributions from its members. The house contained sleeping quarters, study rooms, and a library for the members. The chapter house also served as a center for the social activities of its members. The fraternity was not operated as an integral part of the college nor did the college exercise any direct control over its membership. All receipts from members were used to pay the expenses of the chapter house and no part of its net income inured to the benefit of private individuals. Although the typical college fraternity does in some degree contribute to the cultural and educational growth of its members during their student years, this is not its primary purpose. Such an organization is primarily a social club in that its major functions are to provide a meeting place for its members, living quarters for many of them, the place where their meals are served, and the headquarters for their entertainment. Thus, the fraternity was not granted exemption under IRC Section 501(c)(3).

Revenue Ruling 73-439, 1973-2 C.B. 176, ruled on an organization that selected its membership from the junior class of a college primarily on the basis of compatibility without regard to scholarship. It held closed meetings at which personally oriented speeches and discussions were made by the speaker-members. Prospective members of the organization were selected, in part, based on social compatibility and 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. It was concluded that there was no evidence that the topics discussed fell within any particular field of inquiry nor did

the discussions communicate any organized body of knowledge or information that would develop or improve the individual capabilities of the participants to a significant extent or result in any public benefit. The meetings were more akin to the socializing that takes place at meetings of fraternal and professional clubs. Thus, the organization did not operate exclusively for exempt purposes and was denied exemption under IRC Section 501(c)(3).

Application of law

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

Your organizing document does not include language that limits your purposes to one or more exempt purposes. The purposes for which you were created are broader than the purposes specified in IRC Section 501(c)(3). Accordingly, you do not satisfy the organizational test required by Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) and 1.501(c)(3)-1(b)(1)(iv), and you are not organized exclusively for purposes described in Section 501(c)(3). Additionally, your organizing document is silent regarding the disposition of your assets upon your dissolution, which also precludes exemption as described in Treas. Reg. Section 1.501(c)(3)-1(b)(4).

You are also not described in IRC Section 501(c)(3) because you fail the operational test. Specifically, you are not operated exclusively for an exempt purpose as described in Treas. Reg. Section 1.501(c)(3)-1(c)(1). You are organized and operated to hold funds and then expend them for class reunions. Class reunions are social and recreational in nature and do not serve educational purposes. These activities show more than an insubstantial part of your activities are furthering recreational and social purposes.

Because you are operated to fund class reunions which will be social gatherings for the class members that raised the funds, you serve a private benefit rather than a public interest. This is contrary to Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) and further described in Rev. Rul. 69-175.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) provides, in part, that the term "educational" as used in IRC Section 501(c)(3) relates to the instruction of the public on subjects useful to the individual and beneficial to the community. You are operating outside the school system and there is no evidence you were formed or are operated exclusively for educational purposes.

You are not like the organizations granted exemption in Rev. Rul. 56-486 or 60-143 because you are not furthering the interest of, nor do you have any affiliation to, any educational institution. Rather, you are operated separate from the school system and do not promote any educational pursuit or endeavor.

You are like the organization denied exemption in Rev. Rul. 69-573 in that your major functions are to provide a meeting place for alumni to gather and social events for their entertainment. This concept is further shown in Rev. Rul. 73-439 where the main thrust of the organization's program was to further fellowship. Neither organization operated exclusively for any exempt purpose, and thus they were not granted exemption under IRC Section 501(c)(3).

Conclusion

Based on the facts and circumstances presented, you do not qualify for exemption from federal income tax as an organization described in IRC Section 501(c)(3). You are not organized and operated exclusively for exempt purposes as set forth in Section 501(c)(3). You do not meet the organizational test because your organizing document does not limit your purpose or dedicate remaining assets upon dissolution to one or more exempt purposes described in Section 501(c)(3). You also do not meet the operational test for Section 501(c)(3) because you are operated for the substantial nonexempt purpose of sponsoring class reunions that further social and recreational purposes. Thus, you do not meet the standards of 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 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