



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

Date:  
07/11/2022  
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Number: **202240028**  
Release Date: 10/7/2022

**UIL: 501.00-00, 501.03-00, 501.03-05, 501.03-30**

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](http://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:** May 2, 2022

**Employer ID number:**

**Person to contact:**

**Name:**

**ID number:**

**Telephone:**

**Fax:**

**Legend:**

B = Date

C = State

D = Name

J = Name

x dollars = Amount

**UIL:**

501.00-00

501.03-00

501.03-05

501.03-30

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

You attest that you have the necessary organizing document, that your organizing document 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 IRC Section 501(c)(3).

You attest that you are organized and operated exclusively to further charitable purposes. You attest that you have not conducted and will not conduct prohibited activities under IRC Section 501(c)(3). Specifically, you attest you will:

- Refrain from supporting or opposing candidates in political campaigns in any way
- Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals

**Letter 4034 (Rev. 01-2021)**  
Catalog Number 47628K

- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially
- Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s)
- Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a Section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in Section 501(h)
- Not provide commercial-type insurance as a substantial part of your activities

The mission statement on the Form 1023 EZ states that you promote the preservation, enjoyment, use and ownership of the D automobile and its variants through drives, technical sessions and social events.

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

You were formed as a corporation on B in the state of C. You were formed for the purpose of any or all lawful business for which nonprofit corporations may be incorporated under the laws of the State of C, as they may be amended from time to time. In addition, they state you are organized to promote the preservation and enjoyment of the D sports car.

You explained that you are a membership club is made up of persons interested in D cars or other vintage J sports cars. All persons interested in older J cars, are welcome to join and participate fully. You also indicated that the club is primarily social with the members having a common interest in D cars.

You further explained that participation in club events is open to all members, their spouses/partners, children and invited guests. Members pay annual fees of x dollars. These are calculated and paid by members to offset the cost of specific events based on past experience and an estimate of current costs as determined. You explained that fees are not intended to be profitable, but to cover your costs.

Information about your club can be found on your website. The website also states that social opportunities as well as information about events and photos and postings are found on various social media sites.

Time spent on events is driven by individual member interest in each event. Resources used are also driven by member interest. Major events include your end of year car show which consumes significant volunteer resources and money to cover associated costs of organizing and conducting the show. You also hold events in commercial auto service centers for members to learn and discuss maintenance techniques. For example, when members are completing a specific task such as engine repair or reassembly, the club will organize a gathering to view, assist and learn the procedure to complete this particular task.

Other events you have organized for members include tours to public locations such as museums or parks. Additionally, you have conducted overnight historical driving tours. You state this encourages members to socialize and keep their cars in safe operating condition.

You further stated that you are social club. All of your efforts in time and resources are directed to that goal. Individual members may spend more or less than the average on your activities. No resources are spent on political or other non-D related activities.

You explained that membership growth and major events within the club have generated some surplus income which has been used to support local groups in need. In addition, these funds have been used to provide a small scholarship to a young person entering a career in automotive engineering. You also provided a D style pedal car to the hospital this past winter.

#### **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, 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 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 and operated exclusively for one or more exempt purposes of organization:

- (a) Limit the purpose 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 purpose.

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.

Revenue Ruling 67-139, 1967-1 C.B. 129, Situation 2 describes a club formed by mineralogy and lapidary enthusiasts “to disseminate knowledge of mineralogical and lapidary subjects, to promote their application so that greater pleasure may be derived from these activities, and to promote good fellowship among its members.” To further its purposes, this club held meetings in which its members would “discuss gem and mineral topics and sell, purchase, or exchange rock and mineral specimens”. It was determined that the club was organized and operated primarily for the benefit, pleasure, or recreation of its members. Its activities were only incidentally educational, and as such, the club did not qualify for tax exemption under IRC Section 501(c)(3).

In Better Business Bureau of Washington, D.C., Inc. 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.

In Minnesota Kingsmen Chess Association v. Commissioner, T.C. Memo 1983-495, the organization sponsored chess tournaments, provided chess magazines and books to libraries, offered free chess lessons, and published a newsletter that primarily contained reports of past tournaments and announcements of future ones. The petitioner sought exemption under Section 501(c)(3) because its purposes and activities were described as educational. The court found that the promotion of chess tournaments furthered a substantial recreational purpose, even though individual participants may have received some educational benefits.

#### **Application of law**

You are not described in IRC Section 501(c)(3) because you meet neither the organizational test nor the operational test outlined in Treas. Reg. Section 1.501(c)(3)-1(a)(1).

Your Articles of Incorporation state you are organized to promote the preservation and enjoyment of the D sports car. Because your Articles of Incorporation do not limit your purposes to those described in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i), you fail the organizational test under IRC Section 501(c)(3).

You are not operated exclusively for one or more exempt purposes as required by Treas. Reg. Section 1.501(c)(3)-1(c)(1). A substantial portion of your activities consists of activities that promote fellowship and friendship among your members who are enthusiasts of D. For example, you hold events to facilitate fellowship and collaboration among members such as historical driving tours. Information on your website lists the social and recreational activities available to members. These facts indicate that you are operated for substantial nonexempt social and recreational purposes, which precludes exemption under IRC Section 501(c)(3).

You are operated like the organization described in Situation 2 of Revenue Ruling 67-139. Although some of your activities may be educational, a substantial portion of your activities including organizing including tours to public locations such as museums or parks and conducting overnight historical driving tours shows you are operated for the recreation of your members and subsequently you are not described in IRC Section 501(c)(3).

Similar to the case in Minnesota Kingsmen Chess Association, while members at your events may be receiving education on the C sportscar, the recreational and social purposes you have described outweigh any Section 501(c)(3) purpose.

Additionally, as held in Better Business Bureau of Washington D.C., Inc., a single non-exempt purpose, if substantial, will preclude exemption under IRC Section 501(c)(3). Although you may have some educational and charitable purposes, you are operated for substantial nonexempt purposes. The presence of these substantial non-exempt purposes prevents exemption under IRC Section 501(c)(3).

### **Conclusion**

You do not qualify for tax exemption under IRC Section 501(c)(3) because you are neither organized nor operated exclusively for exempt purposes. Your organizing document does not limit your purposes to one or more exempt purposes and they expressly empower you to engage in activities which are not in furtherance of exempt purposes. You also do not meet the operational test for IRC Section 501(c)(3) because you are operated for substantial nonexempt purposes. Accordingly, 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 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](http://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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements