



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

Date:
11/02/2022
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Number: **202304014**
Release Date: 1/27/2023

UIL: 501.03-05, 501.03-08, 501.03-30, 50133-00

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. **September 12, 2022**

Employer ID number

Person to contact:

Name:
 ID number:
 Telephone:
 Fax:

Legend:

X = Date
 Y = State
 Z = Surname
 C = Family
 D = Family

UIL:

501.03-05
 501.03 08
 501.03-30
 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)(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) of the Code? 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 attest that you were incorporated on X, in the state of Y. 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 as 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 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
- 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

Your application says you organize and conduct an annual family reunion for members of the Z family where you award a scholarship to family members, conduct a church service, and educate on family history.

Detailed information was subsequently requested. We confirmed you were incorporated on X, in the state of Y, as you attested on Form 1023-EZ.

Your response to the request for additional information says your annual family reunion consists of:

- Educational presentation regarding family history
- Food
- Recreational activities
- Religious services
- Awarding a scholarship to recent high school graduates

You spend _____ percent of your time and resources on educational presentations regarding family history. These educational presentations consist of:

- Oral histories of various family members
- Video and/or PowerPoint presentations of the family history
- Updates to the family tree (announcements of births and deaths)
- Games that test knowledge of the family and your lineage
- Booklet that includes the family history

You spend _____ percent of your time and resources on food activities, which consist of:

- Various lineages of the family bringing items for a potluck dinner
- Host families are tasked with preparing cooked entrees, desserts, and providing drinks

You spend _____ percent of your time and resources on recreational activities. These recreational activities consist of:

- A “
- Horseback riding
- Games for children

- Bouncy house
- Petting zoo

You spend _____ percent of your time and resources on religious services. These religious services consist of:

- A church service on Sunday morning during the annual family reunion
- Prayers and gospel hymnals are included throughout the weekend

You spend _____ percent of your time and resources on the awarding of a scholarship. This activity consists of:

- A _____ dollar scholarship being awarded to a recipient
- Recipients are selected by the Scholarship Committee
- Scholarship applicants must be graduating high school seniors and are required to draft an essay, which is normally read during the family reunion

You say in Section 3.1(b) of your bylaws that to be an eligible member, you must be a descendant of C or D, or be married or previously married to a descendant of C or D, or be an adoptive child of descendants of C or D.

You say one of the purposes for your scholarship program is to serve as an incentive for younger eligible members of the family to be involved and attend the family reunion. You say one of the criteria to be selected for your scholarship is recipients must be an eligible member of your organization as defined within your bylaws. Recipients must also be graduating high school seniors who have been admitted to an institution of higher education, and submit an application and essay based on the topic decided by the Scholarship Committee. You stated that essays are graded based on content and originality, but that scholarships are customarily awarded to all applicants who meet the eligibility criteria. Because your organization consists of members of the Z family, all Scholarship Committee members and applicants are relatives.

You are supported primarily by member dues/registrations, sale of reunion booklets, and donations going toward scholarships. Your expenses mainly pay for reunion supplies, venue rental, printing of reunion booklets, and scholarships.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for religious, charitable, educational 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(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.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest. To meet this requirement, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(iii), Example 1, provides an illustration of when an organization serves a private interest, rather than a public interest:

(i) O is an educational organization the purpose of which is to study history and immigration. O's educational activities include sponsoring lectures and publishing a journal. The focus of O's historical studies is the genealogy of one family, tracing the descent of its present members. O actively solicits for membership only individuals who are members of that one family. O's research is directed toward publishing a history of that family that will document the pedigrees of family members. A major objective of O's research is to identify and locate living descendants of that family to enable those descendants to become acquainted with each other.

(ii) O's educational activities primarily serve the private interests of members of a single family rather than a public interest. Therefore, O is operated for the benefit of private interests in violation of the restriction on private benefit in paragraph (d)(1)(ii) of this section. Based on these facts and circumstances, O is not operated exclusively for exempt purposes and, therefore, is not described in Section 501(c)(3).

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) defines the term "educational" as relating 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 67-367, 1967-2 C.B. 188, describes an organization whose sole activity was the operation of a "scholarship plan" for making payments to pre-selected, specifically named individuals. The organization did not qualify for exemption under IRC Section 501(c)(3) because it was serving the private interests of its subscribers rather than public or charitable interests.

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 80-301, 1980-2 C.B. 180, describes an organization that had a membership open to all persons in a particular geographic area and provided instruction in genealogical research techniques. The organization qualified for exemption under IRC Section 501(c)(3) as an educational organization.

Revenue Ruling 80-302, 1980-2 C.B. 182, describes an organization formed to locate, acquire, restore and preserve all available genealogical records of a particular family. Membership was limited to lineal or legal

descendants. The organization did not qualify for exemption under IRC Section 501(c)(3) because the activities served the private interests of its members. The organization was formed primarily for members of a particular family who focus in on their own genealogy with limited public orientation.

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 Charleston Chair Co. v. United States, 203 F. Supp. 126 (1962), the court held that a scholarship fund established to give scholarships to relatives of the organizer or donor is not exempt, due to the narrow class of beneficiaries.

The Callaway Family Association, Inc., v. Commissioner, 71 T.C. 340 (1978), held that a family association formed as a nonprofit organization to study immigration to and migration within the United States by focusing on its own family history and genealogy does not qualify for exemption under IRC Section 501(c)(3). The association's activities included researching the genealogy of its members for the ultimate purpose of publishing a family history. The court stated that the association's family genealogical activities were not insubstantial and were not in furtherance of an exempt purpose. Rather, they served the private interests of the members.

In Benjamin Price Genealogical Association v. I.R.S., 79-1 U.S.T.C. P9361 (D.D.C. 1979), the Court held that an organization formed to disseminate information on, and to preserve documents relating to, the genealogy of Benjamin Price did not qualify for exemption under IRC Section 501(c)(3) because it was created and operated primarily for the benefit of the private interests of its members rather than exclusively for educational purposes.

Application of law

You are not described in IRC Section 501(c)(3) because you don't meet the operational test outlined in Treas. Reg. Section 1.501(c)(3)-1(a)(1).

You do not meet the operational test under IRC Section 501(c)(3) because your family reunion activities are only available for members, are primarily social and recreational, and provide a private interest rather than a general public benefit; therefore, you are not operating exclusively for an exempt purpose as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). Your time and resources are primarily devoted to coordinating the preparation of food to be shared among members at the reunion, as well as recreational activities such as horseback riding and a “
Therefore, more than an insubstantial part of your activities is not in furtherance of an exempt purpose.

You serve a private rather than a public interest by sponsoring educational presentations regarding the history of one family, the Z family. You only award scholarships to high school seniors who are members of the Z family. See Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii), above.

You are very similar to Treas. Reg. Section 1.501(c)(3)-1(d)(1)(iii), Example 1, because your activities primarily serve the private interests of members of a single family rather than a public interest. The organization in this example focused on the genealogy of one family, only solicited members from the members of that one family, and only published a history of that one family. Similarly, your educational presentations are only focused on the history of the Z family. You only provide members with updates to the family tree of the Z family. Your members must be a descendant of C or D, or be married or previously married to a descendant of

C or D, or be an adoptive child of descendants of C or D. And lastly, you have provided no evidence your reunion booklets are focused on anything other than the Z family history.

Your activities do not qualify as “educational” under Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) because your presentations are only available for members, they are only focused on the Z family history, and the associated games only test the knowledge of the Z family with regard to the Z family lineage. Therefore, you are not instructing members of the public on subjects useful to the individual and beneficial to the community.

You are like the organizations described in Rev. Rul.’s 67-367 and 69-175 because you serve the private interests of the Z family rather than the interests of the public. Your scholarships are customarily awarded to all applicants who meet the eligibility criteria. To be eligible, a recipient must be a member of your organization, and membership is limited to descendants of C or D (or their current or previous spouses or their adoptive children). Therefore, all scholarship recipients are part of the Z family.

Unlike the organization described in Rev. Rul. 80-301, your membership and activities are limited to the members of a particular family. You are similar to the organization described in Rev. Rul. 80-302 because your activities are focused on a particular family, membership is limited to descendants of C or D (or their current or previous spouses or their adoptive children), thus you are serving the private interests of the members of a particular family who are focused on their own family history.

Similar to the organizations described in The Callaway Family Association, Inc., and Benjamin Price Genealogical Association, you are not exempt because you are formed for the benefit of members of a particular family. You are only focused on the history and genealogy of the Z family. Any information you publish and disseminate among your members is focused on the members of this particular family. Therefore, you are operated to benefit the private interests of your family members, your literature is not exclusively educational, and thus you do not qualify for exemption under IRC Section 501(c)(3).

You closely resemble the organization described in Charleston Chair Co. because your scholarship fund only benefits members of one particular family. The class of beneficiaries is very narrow, thus your scholarships are only relieving the economic burdens of members of the Z family.

As described in Better Business Bureau of Washington, D.C., Inc., you do not qualify for exemption under Section 501(c)(3) because your non-exempt activities are substantial in nature.

Conclusion

You do not qualify for tax exemption under IRC Section 501(c)(3) because you are not operated exclusively for exempt purposes. Your family reunion activities serve substantial non-exempt recreational and social purposes, causing you to fail the operational test. Your presentations and literature are not exclusively educational because they are only focused on the Z family history; information with such a limited focus is not normally useful to members of the general public and not beneficial to the community. Therefore, you do not qualify for 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