



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

Date:  
04/17/2023  
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Number: **202328021**  
Release Date: 7/14/2023

**UIL: 501.03-00, 501.03-19**

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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:

Letter 437

Redacted Letter 4034

Redacted Letter 4038

cc:



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

**Date: February 13, 2023**

**Employer ID number:**

**Person to contact:**

Name:

ID number:

Telephone:

Fax:

**Legend:**

B = Date

C = Date

D = State

E = Number range

F = Number

r percent = Number

s percent = Number

**UIL:**

501.03-00

501.03-19

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 are currently exempt under IRC Section 501(c)(7). You submitted the Form 1023 on B to request exemption under Section 501(c)(3). You were formed as a corporation on C under the state law of D. Your purpose in your Articles of Incorporation is to assist youth and adults to learn to play soccer, understand sportsmanship, increase health and fitness, develop strong character traits, and enhance individual dignity. The Articles of Incorporation further state that you will hold classes, practices, games and league tournaments with coaches and sports trainers to develop soccer skills and further the quality of life of participants, improve health and fitness and become better prepared to participate in society. They also state you are organized exclusively for charitable purposes.

Your specific activities consist of conducting both youth and adult soccer leagues. You stated that the goal of the youth leagues which is for ages in the range of E will not only to play the game of soccer but to learn athletic skills, soccer rules, sportsmanship, cooperation, health and fitness and make friendships. Approximately r percent of your participants are involved in the youth soccer leagues. You explained that participants in the youth leagues will be required to attend two practices per week and play games on \_\_\_\_\_ or \_\_\_\_\_. The

goal of the adult soccer leagues which are for those over the age of F is to teach soccer athletic techniques, skills, rules, sportsmanship, cooperation and leadership necessary to participate in team and league soccer games and tournaments that you conduct. You further stated that another goal of the adult program is that as adults play, their children, family and friends will observe and may also get involved in soccer activities geared to their age group. Approximately s percent of your participants will be adults.

The only requirements to participate in your adult soccer program is that the individual must be a member in good standing; must be over the age of F; and must have shin guards and cleats. You indicated that you will advertise via social media, printed flyers, and word of mouth by adults already participating in the program. As such, your target audience consists of all interested adults, and once the above-mentioned requirements are met, any adult can play in the league.

Your activities will be funded by participants' registration fees. Your expenses include salaries, occupancy expenses, soccer supplies, trophies, uniforms, and soccer-supervisors.

You further stated that you have not in the past fostered national or international sports competitions or sports programs, nor do you plan in the future to foster national or international sports competitions or sports programs.

#### **Law**

IRC Section 501(c)(3) exempts from federal income tax "corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals." No part of the net earnings may inure to the benefit of any private shareholder or individual.

IRC Section 501(j)(2) defines a "qualified amateur sports organization" as an organization organized and operated exclusively to foster national or international amateur sports competition if it is also organized and operated primarily to conduct or to support and develop amateur athletes for national or international competition in sports.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that, in order for an organization to be exempt under IRC Section 501(c)(3), it 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 or 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 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)(3) defines "educational" as instruction or training of the individual for the purpose of improving or developing his capabilities and/or the instruction of the public on subjects useful to the individual and beneficial to the community.

Rev. Rul. 70-4 1970-1 C.B. 126 held that an organization was formed for the stated purposes of promoting the health of the general public by encouraging all persons to improve their physical condition and of fostering by educational means public interest in a particular sport for amateurs. The organization engaged in promoting and regulating a sport for amateurs is not exempt under Section 501(c)(3) but is exempt under Section 501(c)(4).

Rev. Rul. 77-365, 1977-2 C.B. 192, held an otherwise qualifying nonprofit organization that conducts clinics, workshops, lessons, and seminars at municipal parks and recreational areas to instruct and educate individuals in a particular sport is operated exclusively for educational purposes and qualifies for exemption. The instant organization's instruction program was open to anyone in the community for a nominal fee. The organization did not establish rules, set standards for equipment, or sponsor league competition for the sport in which it provided instruction. No compensation was paid to its directors or officers, and instructional activity was performed by volunteers without pay. The organization's income is used principally for the purchase of equipment necessary for the sport. Any difference between income and expenses is made up by contributions from interested members of the community.

Rev. Rul. 80-215, 1980-2 C.B. 174 held that an organization formed to develop, promote, and regulate a sport for individuals under 18 years of age by organizing local and statewide competitions, promulgating rules, organizing officials, presenting seminars, distributing a newsletter and otherwise encouraging growth of the sport qualified for exemption under IRC 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 St. Louis Science Fiction Limited v. Commissioner, 49 TCM 1126, 1985-162, the Tax Court held that a science fiction society failed to qualify for tax-exempt status under Section 501(c)(3). Although many of the organization's functions at its annual conventions (the organization's principal activity) were educational, its overall agenda was not exclusively educational. A substantial portion of convention affairs were social and recreational in nature.

#### **Application of law**

You are not described under IRC Section 501(c)(3) or Treas. Reg. Section 1.501(c)(3)-1 (a)(1) because you fail the operational test.

You do not meet the provisions in Treas. Reg. Section 1.501(c)(3)-1(c)(1). Although some of your activities for adults may have an educational component and you operate numerous youth programs, you organize and run adult soccer leagues and conduct adult soccer tournaments. You also explained s percent of the participants in your soccer leagues are over the age of F. This shows you have a nonexempt recreational and social purpose which is substantial in nature and precludes exemption under IRC Section 501(c)(3).

You are not a qualified amateur sports organization, as defined in IRC Section 501(j)(2) because you do not foster national or international amateur sports competition or support and develop amateur athletes for national or international competition in sports. Rather, you are organized and operated to offer to persons of all ages an opportunity to both learn and play soccer.

You are like the organization described in Rev. Rul. 70-4 that failed to qualify under IRC Section

501(c)(3). You are organizing soccer leagues for individuals of all ages of which s percent of the participants are over the age of F. This is conducted in a manner that neither exclusively improves nor develops the capabilities of individuals within the meaning of Treas. Reg. Section 1.501(c)(3)-1(d)(3). You are also not exclusively engaged in the instruction of the public on subjects useful to the individual and beneficial to the community within the meaning of the regulations.

You are not like the organization described in Rev. Rul. 77-365 that was granted exemption under IRC Section 501(c)(3). Although you do provide some soccer instruction to adults and children, you also offer numerous recreational and social opportunities for adults to play soccer. This precludes exemption under IRC Section 501(c)(3). Further, you are not like the organization described in Rev. Rul. 80-215 because your programs are opened to all ages rather than limited to those under the age of F.

Similar to the court case St Louis, while adults may receive some soccer instruction and you offer youth programs, the recreational and social purposes of your adult soccer programs, outweigh any IRC Section 501(c)(3) purpose. As stated above, while you do conduct some activities and serve purposes that are exempt under Section 501(c)(3) you also serve more than insubstantial purposes that do not qualify under Section 501(c)(3). You are like the organization described in Better Business Bureau. Although you may have some educational and charitable purposes, you are operated for substantial nonexempt social and recreational purposes. The presence of these substantial non-exempt purposes prevents exemption under Section 501(c)(3).

### **Conclusion**

Based on the facts and information submitted, you fail the operational test. You are not operated exclusively for exempt purposes as set forth in IRC Section 501(c)(3), and have more than an insubstantial amount of social and recreational activities. Accordingly, you do not qualify for exemption under IRC Section 501(c)(3) and you must file federal income tax returns. Contributions to you are not deductible under Section 170.

### **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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Your exemption under IRC Section 501(c)(7) remains in effect.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

cc: