



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

**Date:**  
06/05/2023  
**Employer ID number:**

**Tax years:**  
All  
**Person to contact:**

**Release Number:** 202335019  
**Release Date:** 9/1/2023  
**UIL Code:** 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:**  
February 6, 2023  
**Employer ID number:**

**Person to contact:**  
**Name:**  
**ID number:**  
**Telephone:**  
**Fax:**

**Legend:**

B = state  
C = date 1  
D = date 2

**UIL:**  
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 meet the organizational or operational test under IRC Section 501(c)(3)? No, for the reasons described below.

**Facts**

You were incorporated under the laws of B on C. Your business purpose as stated in your Articles of Incorporation is "community organization". Your AOI refer to your Bylaws for additional provisions.

You originally received exemption under IRC Section 501(c)(3) on D with Form 1023-EZ. However, you did not file Form 990(s) for three consecutive years and were auto-revoked of your exempt status. You are now applying for restatement of tax exemption under Section 501(c)(3) with this Form 1023 application.

You state on Form 1023 that you conduct the following activities:

1. **Networking Events:** Bringing local business together and discuss their struggling areas and find solution with the help of professionals. Activities are held at local restaurants, the library, or city hall. Networking events are funded by donations, sponsorships, and fees. You help local businesses better

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

manage and connect with the community. The time spent by your Board of Directors and volunteers on each activity depends on event size.

2. **Workshops for all:** Bringing experts of different business professionals (i.e., lawyers, accountants, marketing professionals, etc.) to help small businesses in areas they struggle with. The activities are held at local restaurants, library, or city hall. You help local businesses succeed and serve better to community. The time spent by your Board of Directors and volunteers on each activity depends on event size.

You provide that you spend:

- % towards business improvement and building community power networking events
- % towards new business supporting and ribbon cutting
- % towards workshops, educational meetings, and seminar for the local businesses
- % towards helping businesses affected by disaster
- % towards helping struggling professionals on seeking efforts and provide resources to further professional skills
- % towards providing free administrative assistance including notary service and certificate of origin.

You are a small town chamber of commerce with limited funding from membership and events that needs to raise more money to create a positive impact in the community as well as help businesses to grow and bring the community together. You will provide a platform to small businesses, entrepreneurs, and future leaders to meet like-minded individuals to foster growth amongst your community.

Some of your focused activities include:

- Helping disadvantaged-owned, women-owned, minorities-owned small businesses
- Helping small business effected by disaster
- Providing free membership and services
- Providing scholarships to high school and college students
- Shop local project to create awareness in the community
- Organizing multiple events and advertising campaigns
- Sending publications to all local residents

All funds raised by you are used solely for the benefit of your local community and small businesses. No board member will receive any benefits including salary or bonuses. You do not fund or promote political activities.

Membership is open to business owners, professionals, local community members, and students. You hold meetings monthly, quarterly, and annually at the local library, city hall, community centers and restaurants. Events are mostly free; some require a small entry fee. Your members common business interest is access to resources available to them that you provide to improve their businesses.

Membership benefits include:

- Free admin support
- Involvement opportunities
- Advertising
- Free business directory listing
- Access to info to answer common questions

- Chamber perks (specialists, discounts, coupons)
- Legislative initiatives
- Referrals of your business
- Power networking events
- SBD events and seminars

Your financial information shows that all your income for the past five years derives from membership fees. You disbursed funds for website fees, office supplies, marketing expenses, and bank charges.

#### **Law**

IRC Section 501(c)(3) provides for the exemption from federal income tax of corporations organized and operated exclusively for charitable or educational purposes, provided no part of the net earnings inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that to be exempt as an organization described in section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more 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 to meet the organizational test an organization must be organized exclusively for one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) provides that an organization operates exclusively for exempt purposes if it engages primarily in activities that accomplish exempt purposes specified in section 501(c)(3) of the Code. An organization must not engage in substantial activities that fail to further an exempt purpose.

Revenue Ruling 71-504, 1971-2 C.B. 139, describes a city medical society, exempt under IRC Section 501(c)(6), that primarily directs its activities toward the promotion of the common business interests of its members. The ruling provides that since the society has substantial noncharitable and noneducational purposes and activities, it is not a charitable organization. Accordingly, it is held that this association may not be reclassified as an organization exempt from federal income tax under Section 501(c)(3) of the Code.

Revenue Ruling 73-567, 1973-2 C.B. 178, states that by examining and certifying physicians under the circumstances described, the board promotes high professional standards. Although some public benefit may be derived from promoting high professional standards in a particular medical specialty, the activities of the board are directed primarily to serving the interest of the medical profession. Under these circumstances, the board is not organized and operated exclusively for charitable purposes and does not qualify for exemption from Federal income tax under Section 501(c)(3) of the Code.

Better Business Bureau, D.C., Inc v. United States, 326 U.S. 278 (1945), the court held that an organization is not operated exclusively for charitable purposes, and thus will not qualify for exemption under section 501(c)(3), if it has a single non-charitable purpose that is substantial in nature. This is true regardless of the number or importance of the organization's charitable purposes.

**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 do not meet the organizational or operational tests.

**Organizational Test**

Your Articles of Incorporation do not contain the requisite purpose and dissolution provisions of IRC Section 501(c)(3). To demonstrate it is organized exclusively for exempt purposes, thus satisfying the organizational test, an organization must have a valid purpose clause (Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i)). Rather, your Articles of Incorporation state your business purpose to be "community organization"; a purpose that is broader than the purposes specified in Section 501(c)(3). No dissolution clause was included.

**Operational Test**

Although you do conduct some charitable and educational activities, these are insubstantial when compared to your non-exempt activities. You will promote and assist businesses in your local area. Your members are mainly business owners, and they attend your meetings and events to improve their businesses. These activities are not described in IRC Section 501(c)(3) but instead further the common business purpose of your members. Therefore, you are not described in Section 501(c)(3). See Treas. Reg. Section 1.501(c)(3)-(1)(c)(1).

Similar to the organizations in Revenue Rulings 71-504 and 73-567, although some of your listed activities further charitable and educational purposes, most of the activities listed further benefit your members. This includes advertising, directories, promotions, networking, referrals, publicity and support. And although you conduct charitable activities such as offering scholarships, disaster relief or the support of minority owned businesses, when substantial, the presence of non-exempt purposes precludes exemption regardless of other qualifying activities. As indicated in the ruling, and per the ruling in Better Business Bureau v. United States, a substantial non-exempt purpose of promotion of businesses will preclude exemption under IRC Section 501(c)(3) regardless of the number or importance of truly charitable or educational purposes.

**Conclusion**

Based on the above, we find that you are not organized and operated for exempt purposes within the meaning of IRC Section 501(c)(3). You fail both the organizational and operational tests for exemption required under Section 501(c)(3). Accordingly, we conclude you do not qualify for exemption under Section 501(c)(3). Contributions to you are not deductible under IRC 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.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements