



Date:
09/25/2023
Employer ID number:

Tax years:
All
Person to contact:

Release Number: 202351013
Release Date: 12/22/2023
UIL Code: 501.03-00.
501.03-33

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:
August 1, 2023
Employer ID number:

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

Legend:

W = treatment
X = date
Y = state

UIL:

501.03-00
501.03-33

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 attest that you were incorporated in Y on X. 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 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

You describe yourself on Form 1023-EZ as a W school clinic created to assist in the training and preparation of students, their guidance and clinical training, in the field of W and medicine.

Detailed information was subsequently requested. You assist students attending a W school with school-related expenses not covered by the school or their tuition. You describe the W program as intensive and expensive and the school as for-profit. The school-related expenses include books, gowns, and . Additionally, your goal is to pay, on behalf of the students, the class fees associated with other classes required for state certification not offered by the school. You will also financially sponsor one-day programs at the school with guest speakers.

You operate out of the school, however, the school administration does not exercise any control over you, nor do you share officers with the school. You were formed and are governed by an employee of the school. Your activities will be conducted out of the school. You will be directly interacting with the students through the provision of materials and financial assistance. Students make you aware of their needs as it relates to their classes. You work to aid them in acquiring books, supplies, and funds to cover their other school related expenses. The assistance you provide is available to all enrolled students at the school without regard to financial need. You are seeking tax-exempt status because the for-profit school is unable to receive tax-deductible donations.

The only benefit accruing to the for-profit school is that more students will be able to remain in school and complete their education. The more students that complete their education, the better it is for the school and the students.

You anticipate receiving tax-deductible donations to support your activities. Your expenses include purchasing materials for students such as gowns, , books, and sanitation supplies. If revenues permit, you plan to provide grants to students to assist with their other school expenses. You also hope to put materials such as books and handouts in the school's library and create hyperlinks to allow students to conduct off-campus research. You want to reduce the students' school related expenses by supplying materials to them at no charge, arrange for guest speakers, and cover their other education-related expenses.

Law

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

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that to qualify under IRC 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(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 that 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 operate exclusively for one or more exempt purposes unless it serves a public rather than private interest. To meet this requirement, it is necessary for an organization to establish that it is not organized or operated for benefit of private interests such as designated individuals.

Revenue Ruling 56-304, 1956-2 C.B. 306, describes an organization that qualified for exemption under IRC Section 501(c)(3). It made distributions to individuals based on financial need. The distributions were made on a true charitable basis in furtherance of the purpose for which the organization was formed. The organization maintained adequate records and case histories to show the name and address of each recipient of aid, the amount distributed to each recipient, the purpose for which the aid was given, the manner in which the recipient was selected, and the relationship, if any, between the recipients and the governing board, a grantor or corporation controlled by a grantor, or a substantial contributor.

Revenue Ruling 67-367, 1967-2 C.B. 188, describes an organization that provides educational assistance to pre-selected, specifically named individuals; it did not qualify for exemption under IRC Section 501(c)(3) because it was serving private interests rather than public charitable interests.

Revenue Ruling 68-489, 1968-2 CB 210, held that an organization will not jeopardize its exemption under IRC Section 501(c)(3) even though it distributes funds to nonexempt organizations, provided it retains control and discretion over use of the funds for Section 501(c)(3) purposes. The exempt organization ensured use of the funds for Section 501(c)(3) purposes by limiting distributions to specific projects that are in furtherance of its own exempt purposes. It retains control and discretion as to the use of the funds and maintains records establishing that the funds were used for Section 501(c)(3) purposes.

In Church in Boston v. Commissioner, 71 T.C. 102 (1978), the court upheld the denial of exemption on an organization that made grants to individuals. The organization asserted that its grants were made in furtherance of a charitable purpose: to assist the poor. The organization was unable to furnish any documented criteria which would demonstrate the selection process of a deserving recipient, the reason for specific amounts given, or the purpose of the grant. The only documentation contained in the administrative record was a list of grants made during one of the three years in question which included the name of the recipient, the amount of the grant, and the "reason" for the grant. The court held that this information was insufficient in determining whether the grants were made in furtherance of an exempt purpose.

Application of law

You do not meet the requirements for recognition of tax exemption under IRC Section 501(c)(3) because you fail the operational test as described in Treas. Reg Section 1.501(c)(3)-1(a)(1). Your activities are not charitable within the meaning of Section 501(c)(3) because you are not aiding a charitable class of individuals; assistance is provided to all enrolled students regardless of need. You are providing support to designated individuals and to a lesser degree, a for-profit entity. For this reason, you are not operating exclusively for exempt purposes as described in Treas. Reg. Section 1.501(c)(3)-1(c)(1).

You are unlike the organization described in Revenue Ruling 68-489 as you have provided no evidence that you retained control and discretion over the use of your funds awarded for attending the school. You have only indicated you work to aid in assisting students in obtaining needed items such as books and supplies. You were unable to produce documentation showing how you ensured funds were used for 501(c)(3) purposes. As seen in Revenue Ruling 56-304 an organization should maintain records and case histories to establish that expenditures are made on behalf of a charitable class of individuals.

When operating to provide funds to pre-selected, specifically named individuals the organization in Revenue Ruling 67-367 failed to qualify for exemption under IRC Section 501(c)(3) because it was serving private rather than public charitable interests. By offering financial assistance to any student in attendance at the W school you are providing funds to pre-selected individuals as any student can receive funding. An organization applying for exemption under Section 501(c)(3) must establish it is not operated for the benefit of private interests. By providing funds to cover costs of a for-profit school you are serving the private interests of designated individuals (students) as well as the school in a more than incidental manner. Unless an organization exclusively serves a public interest it is not operated for one or more exempt purposes as defined in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

In Church in Boston the court upheld the denial of exemption on an organization that made grants to individuals when information was insufficient in determining whether the grants were made in an objective and nondiscriminatory manner and whether the distribution of such grants was made in furtherance of an exempt purpose. Like the organization in that ruling, your method of distributing grants shows no manner of objective selection and you've provided no documentation demonstrating your distributions have furthered an exempt purpose. You provided no criteria for why grants were awarded outside of being a student of the school, and no reasoning behind the amounts given such as documented financial need. The selection and distribution is based only on enrollment status versus a structured application and review process. There is a lack of documentation demonstrating the process and reasoning behind the distribution of funds and for this reason we cannot determine these were used for IRC Section 501(c)(3) purposes.

Conclusion

Based on the above facts and analysis, you do not satisfy the operational test under IRC Section 501(c)(3), therefore, you do not qualify for exemption under Section 501(c)(3). Your activities more than incidentally serve private rather than exclusively public interests 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