



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Release Number: 202402015
Release Date: 1/12/2024
UIL Code: 501.04-00

Date:

Taxpayer ID number (last 4 digits):

Form:

Tax periods ended:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Last day to file petition with United States
Tax Court:

CERTIFIED MAIL - Return Receipt Requested

Dear

Why we are sending you this letter

This is a final determination explaining why your organization doesn't qualify as an organization described in Internal Revenue Code (IRC) Section 501(c)(4) for the tax periods above.

In the future, if you believe your organization qualifies for tax-exempt status and would like a determination letter from the Internal Revenue Service, you can request a determination by filing Form 1024, Application for Recognition of Exemption Under Section 501(a), or Form 1024-A, Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code, (as applicable) and paying the required user fee.

Our adverse determination as to your exempt status was made for the following reasons: Your primary purpose is to operate as a political organization, as evidenced by your operations and activities. Under IRC Section 501(c)(4), a social welfare organization is described as an organization which must not be organized for profit and must be operated exclusively to promote social welfare. The earnings of an IRC Section 501(c)(4) organization may not inure to the benefit of any private shareholder or individual. Furthermore, the promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. However, while IRC Section 501(c)(4) social welfare organization may engage in some political activities, there is clear specification that political activities cannot be a social welfare organization's primary activity. Thus, given that you operate as a political organization and that political activities are your primary purpose, you are not operating as an exempt organization under Internal Revenue Code (IRC) Section 501(c)(4).

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms and information please visit **IRS.gov**.

What you must do if you disagree with this determination

If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

How to file your action for declaratory judgment

If you decide to contest this determination, you can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. You can download a fillable petition or complaint form and get information about filing at each respective court's website listed below or by contacting the Office of the Clerk of the Court at one of the addresses below. Be sure to include a copy of this letter and any attachments and the applicable filing fee with the petition or complaint.

You can eFile your completed U.S. Tax Court petition by following the instructions and user guides available on the Tax Court website at ustaxcourt.gov/dawson.html. You will need to register for a DAWSON account to do so. You may also file your petition at the address below:

United States Tax Court
400 Second Street, NW
Washington, DC 20217
ustaxcourt.gov

The websites of the U.S. Court of Federal Claims and the U.S. District Court for the District of Columbia contain instructions about how to file your completed complaint electronically. You may also file your complaint at one of the addresses below:

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439
uscfc.uscourts.gov

US District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, DC 20001
dcd.uscourts.gov

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

Information about the IRS Taxpayer Advocate Service

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS, or you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Contact your local Taxpayer Advocate Office at:

Or call TAS at 877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to taxpayeradvocate.irs.gov. Do not send your federal court pleading to the TAS address listed above. Use the applicable federal court address provided earlier in the letter. Contacting TAS does not extend the time to file an action for declaratory judgment.

Where you can find more information

Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.


Find tax forms or publications by visiting [IRS.gov/forms](https://www.irs.gov/forms) or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

You may fax your documents to the fax number shown above, using either a fax machine or online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies.

Keep the original letter for your records.

Sincerely,



Lynn A. Brinkley

Director, Exempt Organizations Examinations

Enclosures:

Publication 1

Publication 594

Publication 892

cc:



**Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities**

Date:
August 18, 2023
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:
ID number:
Telephone:
Fax:
Address:

Manager's contact information:

Name:
ID number:
Telephone:
Response due date:
September 19, 2023

CERTIFIED MAIL – Return Receipt Requested

Dear _____ :

Why you're receiving this letter

We enclosed a copy of our audit report, Form 886-A, Explanation of Items, explaining that your organization doesn't qualify as an organization described in Internal Revenue Code (IRC) Section 501(c)(4)

This letter is not a determination of your tax-exempt status under IRC Section 501(c)(4) for any period other than the tax periods above.

If you agree

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(4) for the periods above.

If you disagree

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final adverse determination letter.

In the future, if you believe your organization qualifies for tax-exempt status and would like a status determination letter from the IRS, you can request a determination by filing Form 1024, Application for Recognition of Exemption Under Section 501(a), and paying the required user fee.

Contacting the Taxpayer Advocate Office is a taxpayer right

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 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.

For additional information

You can get any of 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 shown at the top of this letter.

Sincerely,

Latina Fields Jm 7952 for

Lynn A. Brinkley
Director, Exempt Organizations
Examinations

Enclosures:
Form 886-A
Form 6018

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (<i>last 4 digits</i>) XX-	Year/Period ended

Issues:

- 1) Whether _____ should be disqualified as exempt under Internal Revenue Code Section 501(c)(4) of the Internal Revenue Code for the tax year ending _____
- 2) Whether _____ had activities that were aligned with Internal Revenue Code 501(c)(4) as operated exclusively for the promotion of Social Welfare.
- 3) Whether _____ had activities that were politically motivated and would be excluded from qualifying for Internal Revenue Code Section 501(c)(4)

Facts:

_____ (“The Organization”) is a self-declared 501(c)(4). The Organization was established in the state of _____ and filed as a not-for-profit corporation on _____, _____ Due to the _____ formation date, the Organization was required to file Form 8976, Intent to Operate under 501(c)(4) or file Form 1024. However, the Organization did not electronically file a Form 8976 or file a Form 1024 applying for exemption.

Although _____ filed a Form 990-EZ as a 501(c)(4) exempt organization in the year under examination, they have not been recognized as tax-exempt. Additionally, the _____ Form 990-EZ specifically states the Organization’s primary purpose and mission as “_____”.

Furthermore, the _____ Bylaws, provided during the examination, has _____ – Purpose _____

At the time of this examination, _____ had not followed any of the following steps in which to self-declare as a IRC Section 501(c)(4):

- Electronically filed a Form 8976, Intent to Operate under 501(c)(4) within 60 days of organization establishment.
- Not having submitted a Form 1024, Application for Recognition of Exemption Under Section 501(a), or Form 1024-A , Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code and _____
- Not having received a favorable ruling or determination letter granting tax-exempt status.

During the calendar year of _____ the Organization had their website calendar (beginning in _____ on their website (_____ showing all the Organization activities were political activity events where tickets were sold and the main content of the activities were political activities such as rallies, fundraising trips, and dinners. _____ specific candidate is shown to be endorsed _____ times throughout the year and fundraising efforts were focused on the _____ specific candidate.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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Political events were found in the Board Minutes and included selling the following merchandise and branded bottled water, selling brochure ads for a local event, the endorsing and favoring candidates for working with in event, selling ads electronically and in the event books, and booking Dinner Program Dates and Speakers for the

– hosted a breakfast for previous advisor to .
The Profit and Loss Statement showed this political event as earned \$ in revenue.

The provided Profit and Loss Statement shows income coming from political events as a \$. The was loads of supporters that all attended at the where a officially announce for Tickets were sold per the board meeting minutes.

This was reported on by the as further evidence of the event.

– began selling cases of bottled water with personalized labeling showing personalized and support. These sales are stated on the Profit and Loss as revenue of \$.

The reported the new personalized merchandise for sale in The article specifies and who serve on the marketing, and merchandising team receiving the shipment of The article references the bottles can be purchased for a \$ donation at any monthly

In an article dated in was quoted regarding their Merchandise “ ” said chairman of merchandising for the group. “

” These sales are stated on the Profit and Loss Statement as revenue in the amount of \$.

held their Annual Dinner which showed on the Profit and Loss Statement as revenue of \$.

was the dinner hosted by at the \$. The tickets sold brought in a revenue amount of \$. The auction revenue for this event was \$. amounts were shown on the Profit and Loss Statement. An article posted in the stated this event had silent auction sought and sponsorships available for the event.

The for posted a video in which was shown as an example of what the were about and the founder and was quoted as “ ” This indicates their normal meetings are politically focused, not social welfare focused. As each meeting is politically focused, all donations and dues further the Organization’s primary purpose of operating as a political organization.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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The Profit and Loss Statement amounts from additional revenue streams are \$ _____ for VIP membership dues, and donation amounts of \$ _____.

The Profit and Loss Statement also reflects Organization expenses for security at rallies, webpage management fees, merchant credit card fees, rental costs for meeting locations, equipment rental, entertainment fees, speaker fees, and rentals/parking/utility fees. The Organization used the donation and VIP membership dues to secure rental meeting space in various locations, to pay speaking fees directly related to promoting _____ specific candidate, paid security for rally events promoting _____ specific candidate, and to run a website promoting _____ specific candidate and selling merchandise supporting of _____ specific candidate.

All revenue and expenditures shown on _____ s profit and loss statement show support of _____ specific candidate and are highly uncharacteristic of an IRC Section 501(c)(4).

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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LAW:

I.R.C. § 501(c)(4) provides for the exemption from federal income tax of organizations not organized for profit but operated exclusively for the promotion of social welfare. An organization is considered to operate exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the community's common good and general welfare. See **Treas. Reg. 1.501(c)(4)-1(a)(2)(i)**.

Promotion of social welfare doesn't include any of the following per **Treas. Reg. 1.501(c)(4)-1(a)(2)(ii)**:

- Direct or indirect participation or intervention in a political campaign on behalf of or in opposition to any candidate for public office
- Operating a social club for pleasure, benefit or recreation
- Carrying on a business with the general public in a manner similar to organizations operated for profit.

The promotion of social welfare doesn't include participation or intervention in political campaigns of candidates for public office. See **Rev. Rul. 2004-6** and **Rev. Rul. 2007-41**

Section 527(b)(1) of the Code imposes a tax on the political organization taxable income of every political organization at the highest rate specified in Section 11(b) (35%).

Treas. Reg. § 1.501(c)(4)-1(a)(2)(i) provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within IRC Section 501(c)(4) is one that is operated primarily for the purpose of bringing about civic betterments and social improvements.

Treas. Reg. § 1.501(c)(4)-1(a)(2)(ii) provides that the promotion of social welfare does not include direct or indirect participation in political campaigns on behalf of or in opposition to any candidate for public office.

Rev. Rul. 81-95, 1981-1 C.B. 332, considers the effect of engaging in political campaign activities on a IRC Section 501(c)(4) organization. The ruling refers to five revenue rulings, including **Rev. Rul. 78-248, 1978-1 C.B. 154**, for other examples of what constitutes participation or intervention in political campaigns. Each of those rulings involves a IRC Section 501(c)(4) organization. The organization was primarily engaged in activities designed to promote social welfare. In addition, it conducted activities involving participation and intervention in political campaigns on behalf of or in opposition to candidates for nomination or election to public office. The ruling concludes that, because the organization's primary activities promoted social welfare, its lawful participation or intervention in political campaigns on behalf of or in opposition to candidates for public office would not adversely affect its exempt status IRC Section 501(c)(4).

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Rev. Rul. 2007-41, 2007-41 C.B. 1421, analyzes 21 situations to determine whether the organization described in each has directly or indirectly participated in a political campaign on behalf of or in opposition to a candidate for public office. All facts and circumstances are considered when making this determination. When determining whether a communication results in political campaign intervention, key factors include:

- Whether the statement identifies one or more candidates for a given public office;
 - Whether the statement expresses approval or disapproval for one or more candidates' positions and/or actions;
 - Whether the statement is delivered close in time to the election;
 - Whether the statement makes reference to voting or an election;
 - Whether the issue addressed in the communication has been raised as an issue distinguishing candidates for a given office;
 - Whether the communication is part of an ongoing series of communications by the organization on the same issue that are made independent of the timing of any election;
 - Whether the timing of the communication and identification of the candidate are related to a non-electoral event such as a scheduled vote on specific legislation by an officeholder who also happens to be a candidate for public office.
- A communication is particularly at risk of political campaign intervention when it makes reference to candidates or voting in a specific upcoming election. Nevertheless, the communication must still be considered in context before arriving at any conclusions.

Rev. Proc. 2015-9, 2015-2 I.R.B. 249, § 4.01, provides that a favorable determination letter or ruling will be issued to an organization only if its application and supporting documents establish that it meets the particular requirements of the section under which exemption from Federal income tax is claimed. A determination letter or ruling on exempt status is issued based solely upon the facts and representations contained in the administrative record. The applicant is responsible for the accuracy of any factual representations contained in the application.

GOVERNMENT'S POSITION

An Exempt Organization is described in IRC Section 501(c)(4) as a social welfare organization described in Internal Revenue Code (IRC) section 501(c)(4), an organization must not be organized for profit and must be operated exclusively to promote social welfare. The earnings of a section 501(c)(4) organization may not inure to the benefit of any private shareholder or individual. If the organization engages in an excess benefit transaction with a person having substantial influence over the organization, an excise tax may be imposed on the person and any managers agreeing to the transaction.

The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. However, a section 501(c)(4) social welfare organization may engage in some political activities, so long as that is not its primary activity. However, any expenditure it makes for political activities may be subject to tax under section 527(f).

In the case of _____ they are not operating as a Social Welfare Organization. The Self- Declared IRC Section 501(c)(4) Organization, _____ has a primary purpose as a political organization, as evidenced by their activities and personal statement on their Form 990-EZ as “

”.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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During the calendar year of _____ the organization had their website calendar, beginning with _____ listed calendar items in _____, on their website (_____ indicating all the activity were political activity events where tickets were sold and the main content of the activities were political activities such as rallies, fundraising trips, and dinners. _____ specific candidate is shown to be endorsed _____ throughout the year and fundraising efforts were focused on the _____ specific candidate.

The books and records kept by the organization show _____ % of _____ income from the year ending _____ was from _____ dinners, breakfasts, and _____ to longer distance _____ for the specific focused candidate. The promotion of social welfare doesn't include participation or intervention in political campaigns of candidates for public office. See Rev. Rul. 2004-6 and Rev. Rul. 2007-41

During review of the _____ Minutes provided during this examination, by _____ provided the ongoing _____ focus was on a specific candidate as well as a specific Political Party. As an organization that is formed as a 501(c)(4) these focused items **are not** in line with a 501(c)(4) organization that is operated _____ for the promotion of Social Welfare and engaged in the common and general welfare of the community.

The failure or inability to comply as an Exempt Organization as described in IRC Section 501(c)(4) as a social welfare organization will **Disqualify** _____ of their Self-Declared 501(c)(4) status.

The books and records kept by the organization show _____ % of _____ income from the year ending _____ was from sales of political merchandise, sales of water at rallies, political rallies, dinners, breakfasts, and bus trips to longer distance rallies for the specific focused candidate. Additionally, the sales of brochure ads were directly related to the rallies and political activities. The promotion of social welfare doesn't include participation or intervention in political campaigns of candidates for public office. **See Rev. Rul. 2004-6ⁱ**

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CALCULATIONS FOR PERCENTAGE OF POLITICAL INCOME

Political Activities Income

	\$
	\$
	\$
	\$
Brochure Ad Sales	\$
Sales of merchandise & water	\$
(\$
Total Political Events Income	\$

Political Purpose Income

VIP Membership Dues	\$
Donations	\$

Total Political Purpose Income	\$
---------------------------------------	-----------

Total Political Event	\$
Total Political Purpose Income	\$

Total	\$
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TAXPAYER'S POSITION

The taxpayer's position is not known at this time.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits) XX-	Year/Period ended

CONCLUSION

As a result of our examination, we have determined that your organization is Disqualified as an exempt organization under IRC section 501(c)(4) for the tax year ending _____ Based on our analysis of the information you provided during the examination, we have determined that you are not operated exclusively for the promotion of social welfare within the meaning of IRC Section 501(c)(4) as you have not established that your primary activities promote social welfare; _____ percent of your income stems from Political Activities.

Because the Internal Revenue Service (IRS) never recognized _____ as tax-exempt, there is no ruling or determination letter to revoke if the organization fails to qualify for exemption.

Therefore, the IRS must determine if the self-declaring organization qualifies for tax-exempt status for the specified tax years exemption is declared. *Revenue Procedure 2016-41 explains this as Rev. Proc. 2016-41 .01 In general. Section 506, added to the Code on December 18, 2015, by the Protecting Americans from Tax Hikes Act of 2015 (Pub. L. No. 114–113, div. Q) (the PATH Act), requires a section 501(c)(4) organization, no later than 60 days after the organization is established, to notify the Secretary of the Treasury (the Secretary) that it is operating as a section 501(c)(4) organization. The requirement to submit this notification applies to section 501(c)(4) organizations organized after December 18, 2015, and to certain section 501(c)(4) organizations existing on that date.*

_____ failed to follow the steps to become a self-declared 501(c)(4) Exempt Organization, or a fully approved Tax Exemption at the time of this examination. The Exempt Organization did not follow any of the following steps in which to self-declare as a IRC Section 501(c)(4):

- Electronically filed a Form 8976, Intent to Operate under 501(c)(4) within 60 days of organization establishment.
- Not having submitted a Form 1024, Application for Recognition of Exemption Under Section 501(a), or Form 1024-A , Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code and
- Not having received a favorable ruling or determination letter granting tax-exempt status

Accordingly, you are Disqualified as exempt under IRC Section 501(c)(4). Due to the disqualification of your organization as exempt under IRC Section 501(c)(4) all income generated in the tax year ending _____ is taxable under Form 1120.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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Rev. Rul. 2004-6

Organizations that are exempt from federal income tax under § 501(a) as organizations described in § 501(c)(4), § 501(c)(5), or § 501(c)(6) may, consistent with their exempt purpose, publicly advocate positions on public policy issues. This advocacy may include lobbying for legislation consistent with these positions. Because public policy advocacy may involve discussion of the positions of public officials who are also candidates for public office, a public policy advocacy communications may constitute an exempt function within the meaning of § 527(e)(2). If so, the organization would be subject to tax under § 527(f).