



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

Release Number: 202413012  
Release Date: 3/29/2024  
UIL Code: 501.03-30

Date:  
01/03/2024  
Employer ID number:

Form you must file:  
1120  
Tax years:  
All  
Person to contact:  
ID number: :

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:**  
10-23-2023  
**Employer ID number:**

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

**Legend:**

S = date

T = state

**UIL:**

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 on S, in the state of T. 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 the IRC Section 501(c)(3), however, per Articles of Incorporation dated S you state, " This corporation shall be exclusively limited to those purposes specified in section 501 (c)(3) of the Internal Revenue Code of the United States, to-wit: A private social club. You also attest 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

We provided you with a copy of your Articles of Incorporation. They state that your club is organized exclusively for religious, charitable, literary, and educational purposes within the meaning of IRC Section 501(c)(3), precisely a private social club. They contain no provision to devote your assets to exempt purposes upon dissolution.

You described your activities as recreation, pleasure and you serve as a social club under NTEE Code N50.

Detailed information was subsequently requested. You stated your organization is a social club that promotes civic and nonprofit organizations, for example, private weddings, baby showers, church meetings, parties, high school and college class reunions, veterans' organizations, law enforcement and first responder organizations, weekend festivals, sporting events, and child-related activities, and most importantly raise funds and awareness for needy and underprivileged groups in the community. Civic minded individuals participate in your activities, and you cater to children, young adults, business and entrepreneurial adults, the elderly, the handicapped, and needy or disadvantaged persons.

Members are charged fees to cover marketing costs, set-up, conducting events, and cleaning up after them, and these activities takes approximately % of your time. Your club seeks to benefit and assist needy and disadvantaged people by helping them locate housing, food, clothing, job training and employment opportunities. You indicated young adults and civic minded adults will be the largest population served by your club. You want this social club to become a full-time event. We provided you with pages from your website that further describe your social activities. Your website states that you are a full-service social club that offers affordable, all-inclusive wedding packages and events for any occasion.

### **Law**

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for charitable, educational, or other enumerated 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) provides 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(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its Articles of Incorporation limit the purposes of such organization to one or

more exempt purposes, and do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(4) provides that, for an organization to be exempt and described in IRC Section 501(c)(3), the organization must dedicate its assets to an exempt purpose by operation of the law, or a provision in the organization's articles of incorporation, or to the federal government, or to a state or local government for a public purpose, or assets would be distributed by a court to another organization that would meet similar purposes as the dissolved organization. An organization will not be considered exempt if its assets are not dedicated to an exempt purpose.

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.

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 of important truly exempt purposes.

In The Schoger Foundation v. Commissioner, 76 T.C. 380 (1981), the court held that an organization operating a religious retreat facility that made available to its guests extensive religious, social, and recreational activities didn't qualify for exemption under IRC Section 501(c)(3) because it failed to show that the retreat facility was operated exclusively for religious purposes. The record didn't show the extent to which the guests participated in any of the activities, religious or otherwise.

In St. Louis Science Fiction, Ltd. v. Commissioner, T.C. Memo 1985-162, the Tax Court considered the annual convention of a science fiction organization. It held that while the conventions may have provided some educational benefit to some of the individuals involved, social and recreational activities (e.g., pool party, masquerade party, gaming rooms) and private benefit (art sales) predominated and exemption under IRC Section 501(c)(3) wasn't warranted.

### **Application of law**

An organization can be recognized as exempt under IRC Section 501(c)(3) only if it shows that it is both organized and operated exclusively for charitable, educational, or other exempt purposes. If an organization fails to meet either the organizational test or the operational test, it is not exempt as stated in Treas. Reg. Section 1.501(c)(3)-1(a)(1). You do not meet the requirements for recognition of tax exemption under Section 501(c)(3) because you do not meet the organizational or operational tests for exemption.

You fail the organizational test as described in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) because your Articles of Incorporation state you are formed to operate as a private social club. Your Articles also do not dedicate your assets upon dissolution for exempt purposes as described in Treas. Reg. Section 1.501(c)(3)-1(b)(4).

You are not operated exclusively for one or more exempt purposes as required by Treas. Reg. Section 1.501(c)(3)-1(c)(1), because substantially all of your activities are social in nature. You indicate that you are

operated as a private social club. While you state that you intend to raise funds for charitable purposes, you have a substantial social purpose which precludes exemption under IRC Section 501(c)(3).

Like the organization in Better Business Bureau, you have a substantial non-exempt purpose and are therefore not operating exclusively for exempt purposes under IRC Section 501(c)(3).

You are like the organizations in The Schoger Foundation and St. Louis Science Fiction, Ltd. You are not operating exclusively for exempt purposes under IRC Section 501(c)(3) because substantially all your activities further non-exempt social and recreational purposes.

### **Conclusion**

Based on the information submitted, you do not meet the requirements for tax exemption under IRC Section 501(c)(3). You do not meet the organizational test because your articles do not limit your purposes to one or more exempt purposes. You do not meet the operational test because you operate for a substantial non-exempt purpose. 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](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