



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

Date:
04/01/2024
Employer ID number:

Person to contact:

Release Number: 202426017
Release Date: 6/28/2024
UIL Code: 501.03-00,
501.03-05, 501.33-00

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(e), 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
Letter 4038



**Department of the Treasury
Internal Revenue Service**

PO Box 2508
Cincinnati, OH 45201

Date: 02/05/2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date

C = State

D = Name

UIL:

501.03-00

501.03-05

501.33-00

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 B in C. 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), 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 state on Form 1023-EZ that you are a collector car hobby club for vintage E automobile owners and enthusiasts.

During our review of your Form 1023-EZ we requested more detailed information to supplement the above attestations. You stated in your form 1023-EZ you are a collector car hobby club for vintage D automobile owners and enthusiast. In addition, you stated that you schedule quarterly meetings which may include any of the following: driving tours, technical sessions, guest speakers, and meeting at locations of special interest to your members. Participants at any club function include members and guests and all members pay annual dues.

Your website states you are a registry of an international group of owners and enthusiasts dedicated to the original D. You are the . You support education, research, preservation and enjoyment of D automobiles. An individual does not need to own a D to become a member. Membership offers a network of thousands of members that can offer assistance and encouragement, help others learn how to buy a great car and offer regular social and driving events to enhance the ownership experience. Members also , as well as access to talk forums, social media and a classifieds-type marketplace. You state on your website you are an official D club organized as an IRC Section 501(c)(7) non-profit.

Law

IRC Section 501(c)(3) provides, in part, for the exemption from federal income tax to organizations organized and operated exclusively for charitable, religious, scientific, or educational purposes, where 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)(l) states 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) states 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.

Treas. Reg. Section 1.501(c)(3)- (d)(l)(ii) states that an organization is not organized and operated exclusively for charitable purposes unless it serves a public rather than a private interest. To meet this requirement that it serve a public purpose, an organization must establish that it is not organized or operated for the benefit of private interests.

Revenue Ruling 77-366, 1977-2 C.B. 192, describes an organization that was formed to arrange and conduct cruises during which activities to further religious and educational purposes are provided. However, it was found that an extensive amount of time and resources were spent devoted to the conduct of social and recreational

activities, and the facts and circumstances indicated these activities served substantial independent purposes of a non-charitable nature. Therefore, this organization did not qualify for exemption under Section 501(c)(3) of the Code because it was not operated exclusively for exempt purposes.

In Better Business Bureau of Washington D.C. Inc v. United States, 326 U.S. 279 (1945), the Supreme Court of the United States interpreted the requirement in IRC Section 501(c)(3) that an organization be “operated exclusively” by indicating that an organization must be exclusively devoted to exempt purposes. The presence of a single non-exempt purpose, if more than insubstantial in nature, will destroy the exemption regardless of the number and importance of truly exempt purposes.

In Minnesota Kingsmen Chess Association v. Commissioner, T.C. Memo 1983-495 (1983), the organization sponsored chess tournaments, provided chess magazines and books to libraries, offered free chess lessons, and published a newsletter that primarily contained reports of past tournaments and announcements of future ones. The petitioner sought exemption under IRS Section 501(c)(3) because its purposes and activities were described as educational. The court found that the promotion of chess tournaments furthered a substantial recreational purpose, even though individual participants may have received some educational benefits.

In St. Louis Science Fiction Limited v. Commissioner, T.C. Memo. 1985-162 (1985), the Tax Court held that a science fiction society failed to qualify for tax-exempt status under IRC 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 in IRC Section 501(c)(3) of the Code because you are not operated exclusively for exempt purposes. Rather, you are operated primarily for social and recreational purposes; that being the operation of a membership club dedicated to a particular type of automobile, the D. You fail to meet the operational test and therefore, do not qualify for exemption per Treas. Reg. Section 1.501(c)(3)-1(a)(1).

You are not operating in accordance with Treas. Reg. Section 1.501(c)(3)-1 (c)(1) because you are not primarily engaged in activities that accomplish exempt purposes specified in IRC Section 501(c)(3). Your primary activity is a collector car hobby club for vintage D automobile owners and enthusiasts. You are not described in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) because you are serving the private interest of your members which constitutes a substantial non-exempt purpose.

You are similar to the organization described in Rev. Rul. 77-366. While certain aspects of your club may further educational purposes, your primary activities of conducting quarterly meetings which include driving tours, technical sessions, guest speakers, and meetings of special interest to your members provide direct benefits to your members that are more than insubstantial in nature. These also serve more social and recreational rather than exclusively educational purposes. As a result, you do not satisfy the operational test requirements to be recognized as exempt under IRC Section 501(c)(3).

As seen in Minnesota Kingsmen Chess Association and St. Louis Science Fiction, even when an organization operates with activities serving some IRC Section 501(c)(3) purposes, we must look to the overall purposes of the organization in determining exempt status. Organizations that offer some activities furthering educational purposes were not found to be exempt when a substantial portion of other activities were social and recreational

in nature. While you are conducting some activities that are educating members on D, you are also involved in numerous other activities serving social and recreational purposes. As stated on your website, you are a social club. As noted in Better Business Bureau of Washington D. C., the presence of a substantial non-exempt purpose will disqualify an organization for exemption under Section 501(c)(3).

Conclusion

Based on the information you have submitted you do not qualify for exemption under IRC Section 501(c)(3). You do not meet the operational test because you are operated for substantial non-exempt social and recreational purposes that privately benefit your members.

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