



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

Date:
06/10/2024
Employer ID number:

Person to contact:

Release Number: 202436015
Release Date: 9/6/2024
UIL Code: 501.03-00

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(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
Letter 4038



Department of the Treasury
Internal Revenue Service

Date: 04/22/2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

U = State

V = Date

Y = Number

w dollars = dollar amount

x dollars = dollar amount

UIL:

501.03.00

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 were incorporated in U on V. 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

During review of your Form 1023-EZ, detailed information was requested supplemental to the above attestations.

Your purpose is to plan and have class reunions for members of the class. In addition to reunions, you will have gatherings with only a small number of the class members. You state that the only participants in these activities are the class members. Reunion planning meetings are held twice a year close to the Y-year reunion date. The meetings are held at a mutually agreed upon location. You do not have a set fee schedule, instead, fees are determined by the cost of reunion related items such as venue, food, entertainment and decorations as well as the number of reunion attendees. You also plan to donate to your high school between w dollars to x dollars.

Law

IRC Section 501(c)(3) provides, for the recognition of exemption from federal income tax of organizations that are organized and operated exclusively for religious, charitable, or educational 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) states 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(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 as 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) states that an organization is not operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. To meet this requirement, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests.

Revenue Ruling 66-179, 1966-1 C.B. 139, provides that an organization is not exempt from federal income tax as an organization described in IRC Section 501(c)(3) if more than an insubstantial part of the organization's activities is not in furtherance of a Section 501(c)(3) purpose.

Rev. Rul. 70-186, 1970-1 C.B. 128, held that an organization formed to preserve a lake as a public recreational facility and to improve the condition of the water in the lake to enhance its recreational features qualified for

exemption under IRC Section 501(c)(3) as a charitable organization that erected or maintained a public work. The ruling determined that, by treating the water, removing algae, and otherwise improving the condition of the water, the organization ensured the continued use of the lake for public recreational purposes and therefore performed a charitable activity. Furthermore, the benefits of the organization's activities flowed principally to the public through the maintenance and improvement of public recreational facilities.

In Better Business Bureau of Washington, D.C., Inc v. United States, 326 U.S. 279, 66 S. Ct. 112, 90 L. Ed. 67, 1945 C.B. 375 (1945), the Supreme Court of the United States interpreted the requirement in Section 501(c)(3) of the Code that an organization be "operated exclusively" by indicating that an organization must be devoted to exempt purposes exclusively. 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 Cap. Gymnastics Booster Club, Inc. v. Comm'r, 106 T.C.M. (CCH) 154 (T.C. 2013), IRC Section 501(c)(3) provides that, in order for an organization to qualify as tax-exempt, "no part of the net earnings of the organization may inure to the benefit of any private shareholder or individual". This prohibition looks to benefits conferred on a "private shareholder or individual", generally understood to mean an insider of the organization (such as a member or an officer).

Application of law

Per Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii), serving private interests is prohibited. Organizations that limit membership and provide substantial benefit to only members are common factors that indicate they are serving private interests.

As stated in Treas. Reg. Section 1.501(c)(3)-1(a)(1), an organization must be both organized and operated exclusively for purposes described in IRC Section 501(c)(3). You hold future class reunions which only benefit your classmates. Your activities benefit the private interests of your members exclusively.

You do not meet the operational test under IRC Section 501(c)(3) because you are not operated exclusively for charitable purposes as required under Treas. Reg Section 1.501(c)(3)-1(c)(1). You serve the private interests of your members rather than the public as a whole. You are similar to the organization described in Cap. Gymnastics Booster Club, Inc., where it was held that private interests are prohibited. You state you intend to provide class reunions for the graduates. The Supreme Court held in Better Business Bureau of Washington, D.C., Inc., that the presence of a single nonexempt purpose, if substantial, will destroy the exemption regardless of the number and importance of truly exempt purposes. As provided in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) and 1.501(c)(3)-1(d)(2), you have not established that you benefit the public or accomplish exclusively charitable purposes.

Rev. Rul. 69-175 held that when a group of individuals associate to provide a cooperative service for themselves, they are serving a private interest versus public interest. The parents of school children provided transportation only to a limited number of children which resulted in serving private interests. You are like the organization in Rev. Rul. 69-175 since your activities serve your private interest.

You are not like the organization in Rev. Rul. 70-186 because you benefit only your members, not the public as a whole. You benefit the private interests of your members and their families who are attending the reunions, rather than benefitting the public. Benefitting your members' private interests is in contravention to IRC Section 501(c)(3), thus precluding you from exemption.

Conclusion

You are operated for a private benefit since your activities strictly benefit your members. You are not operated exclusively for exempt purposes as described in IRC Section 501(c)(3). You state your activities are to plan and have class reunions for members of the class. These activities serve the private interests of your members, disqualifying you for exemption under Section 501(c)(3). Your donors can not deduct contributions to you.

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