



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

Date:
09/09/2025
Employer ID number:

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

Release Number: 202549016
Release Date: 12/05/2025
UIL Code: 501.00-00, 501.33-00

Dear Applicant:

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:
07/21/2025
Employer ID number:

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

Legend:

B = Date
C = State
D = LLC
E = Service

UIL:
501.00-00
501.33-00

Dear Applicant:

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, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code. You were incorporated on B, in the state of C. Your By-laws state that your purpose is "[t]o produce and distribute Gospel-driven theatrical, literary, and interactive content at no cost to the consumer, centered on Christian outreach, with uncompromising narrative and production quality."

Your Form 1023 application indicated that you are a successor to your board member's for-profit company, D, and your board member transferred all assets to you from D as a gift. Your board member wrote a science-fiction/fantasy book series and gave you the intellectual property rights to the series. You indicated that the books are "primarily marketed as 'sci-fi/fantasy entertainment.'" You stated that "these books explore not only the entertaining plot points one can expect from the sci-fi/fantasy genre, but the character goes through something of a metamorphosis of the soul." You represented that the stories have a "Gospel-driven message" and "an Afterword, a Salvation Prayer, and a Scriptural reference at the end of every book." Your application represented that the books and audiobooks are "free in all digital formats," and you later indicated that physical copies are available for purchase.

In your application, you represented that you plan to produce and distribute film adaptations of the book series that will be free to viewers. Additionally, you indicated that you plan to include a “Salvation Prayer and Afterword” that accompanies the end credit sequence.

Your website indicates that you will have a virtual theme park based on the stories in the series. You stated that “a user of the virtual [theme] park will be exposed to the many entertainment offerings within, the first being the social component of the theme park’s online presence, and several rides based on the Gospel driven narratives in the” series. You represented that “[i]t is not guaranteed that every ride will have an explicit Gospel message involved.” You stated that at the end of every park day, the virtual park will offer a Gospel-led worship service called E, which will be “reminiscent of major theme park firework shows” and will feature laser, fog, water effects, and virtual fireworks, timed to various Gospel songs. Additionally, you indicated that there will be a virtual church at the park that will offer a Gospel message on Friday nights. You stated that the virtual theme park will be free to download and free to ride attractions, but physical merchandise and in-game currency bundles will be sold in exchange for real currency.

Additionally, you indicated that you plan to build an indoor theme park based on the series that “can prioritize bringing the Gospel to families and regions that need a fresh wind of clean, enjoyable entertainment.” You stated that the park is “a ministry that is designed to draw in the average entertainment seeker.” Further, you stated, “[t]his is the opportunity that targeting consumers via entertainment brings, it allows ministry to branch beyond the church walls, and enter the genre of the book or film which carries its message.” You indicated that the indoor theme park will have restaurants, rides, a movie theater (which will show the movies based on the book series), a chapel with weekly services, and a nightly laser, firework, and water show, timed to Gospel music. You represented that admission to the park will be free, but food, merchandise, and in-park hotel stays will be available for purchase. You stated that your workforce is currently all volunteers, but that there will be a significant number of paid employees when the indoor theme park is in operation.

You indicated that proceeds from your “revenue-generating activities” will be used to “directly support the ministry’s mission,” and your stated plan is to use revenue to produce more films in the series, “increase marketing efforts for the book series, and fund more projects...”

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for educational, religious, charitable or other 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 (Treas. Reg.) Section 1.501(c)(3)-1(a)(1) states that, “[i]n order to be exempt as an organization described in [IRC] [S]ection 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) provides that “[a]n 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] [S]ection 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 Revenue Ruling (Rev. Rul.) 77-366, 1977-2 C.B. 192 the IRS ruled that an organization that arranged and

conducted winter-time ocean cruises during which activities to further religious and educational purposes were provided, in addition to extensive social and recreational activities, was not operated exclusively for exempt purposes and did not qualify for exemption. The extensive amount of time, energy, and resources that the organization devoted to the social and recreational activities demonstrated that the organization served substantial non-exempt purposes.

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 preclude exemption under IRC Section 501(c)(3), regardless of the number or importance of exempt purposes.

In Schoger Foundation v. Commissioner, 76 T.C. 380 (1981), the court found that the petitioner, which operated a mountain lodge that petitioner characterized as a “religious retreat facility,” had not shown that the lodge was operated primarily for an exempt religious purpose and that the recreational and social activities at the lodge were only incidental to that religious purpose and were less than substantial. The lodge offered its guests recreational and social activities typical of a vacation resort, as well as optional daily devotions and occasional Sunday services. The court determined that the petitioner had failed to demonstrate that its guests did not spend the majority of their time engaged in recreation, relaxation, and socialization.

In Easter House v. United States, 12 Cl. Ct. 476 (1987), the court determined that an adoption agency was not exempt under IRC Section 501(c)(3) because it operated in a manner not “distinguishable from a commercial adoption agency.” The court concluded that the organization’s competition with other commercial organizations providing similar services gave its activities a “commercial hue” indicative of a substantial non-exempt, commercial purpose.

In Living Faith, Inc. v. Commissioner, 950 F.2d 365 (7th Cir. 1991), the Court of Appeals upheld a Tax Court decision, T.C. Memo. 1990-484, that an organization operating restaurants and health food stores in a manner consistent with the doctrines of the Seventh Day Adventist Church did not qualify under IRC Section 501(c)(3) because the organization’s activities furthered a substantial non-exempt purpose. The court noted that the organization’s operations were “presumptively commercial,” as the organization competed with restaurants and food stores, used profit-making pricing formulas consistent with the food industry, and incurred significant advertising costs. Despite the organization’s claim that any profits would be used to expand its health ministry, the organization was found to be operated for a substantial non-exempt, commercial purpose.

In Airlie Foundation v. Commissioner, 283 F. Supp. 2d 58 (D.D.C. 2003), the court upheld the IRS’ denial of an organization’s application for exemption because the organization’s charitable activities were incidental to its primary activity of operating a conference center in a commercial manner. In situations “where an organization’s activities could be carried out for either exempt or nonexempt purposes, courts must examine the *manner* in which those activities are carried out in order to determine their true purpose.” Airlie, 283 F. Supp. 2d at 63.

Application of law

IRC Section 501(c)(3) sets forth two main tests for qualification for exempt status. 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 Section 501(c)(3). Based on the information you provided in your application and supporting documentation, you are not operated exclusively for exempt purposes.

As noted in Better Business Bureau of Washington, D.C., a single non-exempt purpose, if substantial in nature, precludes an organization from qualifying under IRC Section 501(c)(3). Although you represented that you will provide Gospel-led worship services at your theme parks and “an Afterword, a Salvation Prayer, and a Scriptural reference at the end of every book” and movie, you plan to conduct substantial recreational, social, and commercial activities which serve a substantial non-exempt purpose and preclude you from exemption under Section 501(c)(3). See Schoger, 76 T.C. 380.

Based on the facts presented, you are not operated exclusively for religious or charitable purposes, but for the purpose of conducting substantial social and recreational non-exempt activities. You are similar to the organization described in Rev. Rul. 77-366, which didn’t qualify for exemption because of substantial social and recreational activities. Although you have stated that you intend to further religious purposes by sharing stories with Gospel-based themes, your planned activities of operating a virtual theme park and an indoor theme park substantially further a recreational and social non-exempt purpose.

Your proposed activities are like those of the Schoger lodge, which offered optional devotional and religious services as well as substantial recreational activities and was found to operate for a substantial non-exempt purpose. Like in Schoger, your religious activities (i.e., the Gospel music concerts and weekly church services) are insubstantial in comparison to your substantial non-exempt, recreational activities (i.e., the theme-park style entertainment and rides). Accordingly, you fail the operational test because you do not satisfy the requirements stated in Treas. Reg. Section 1.501(c)(3)-1(c)(1).

You have not demonstrated that the theme parks will be operated in a manner significantly distinguishable from a commercial endeavor, and the facts indicate that a substantial non-exempt purpose will be served by your proposed activity. The virtual theme park appears to compete with for-profit entertainment apps and online games, because despite the app being free to download, you will offer physical merchandise and virtual game currency bundles for sale for real currency. You have failed to distinguish your virtual theme park from other entertainment apps that are free to download yet offer in-app purchases. Although you have indicated that admission to the indoor theme park will be free, offering food, lodging, and merchandise for sale is indistinguishable from that of a commercial theme park. You referred to these activities as “revenue-generating activities” and indicated that proceeds will be used to produce more films, “increase marketing efforts for the book series,” and fund more projects. Like the organization described in Easter House, which was selling food in competition with commercial restaurants and stores and was denied exemption, you intend to operate a restaurant at your indoor theme park and sell food, merchandise, and hotel rooms, which are businesses ordinarily carried on for profit. Like the organizations described in Living Faith, Inc. and Airlie Foundation, which the court found were conducting their activities in a commercial manner and operating for a non-exempt, commercial purpose, since a substantial amount of your activities will be conducted in a commercial manner, you fail to meet the requirements stated in IRC Section 501(c)(3).

Conclusion

You are not operated exclusively for exempt purposes as set forth in IRC Section 501(c)(3). Your recreational, social, and commercial activities substantially further non-exempt purposes. Accordingly, based on the facts and circumstances presented, you do not qualify for exemption from federal income tax as an organization described in 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