



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

Date:
07/24/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202549019
Release Date: 12/05/2025
UIL Code: 501.03-04, 501.03-30

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

Redacted Letter 4038



Department of the Treasury
Internal Revenue Service

Date:
05/30/2025
Employer ID number:

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

Legend:

B = Date
C = State
d dollars = Dollar
E = Organization
f percent = Percent
g percent = Percent
h percent = Percent

UIL:
501.03-04
501.03-30

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 are an unincorporated association formed on B, in the state of 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 that you provide hands-on skydiving education with emphasis on safety protocols and techniques. You will hold regular meetings to educate members on safe practices in a structured environment for growth in skydiving knowledge. Your members pay dues of d dollars each semester for access to your activities.

You hold monthly jump days where you facilitate the coordination between your members and E, a for-profit skydiving company that you use as your exclusive dropzone partner. You arrange transportation to E's facility, lunch, and opportunities for your members to get to know each other and bond over the shared interest in skydiving. You do not conduct any skydiving activities; these are all conducted by E and your members pay E directly for these services. Your role is to facilitate the jump day for your members with E. You allocate f percent of your total time and total budget to these jump days.

You conduct monthly socials for your members including rock climbing nights, movie socials, picnics, and hikes. You often provide dinner or some sort of snack for your events. For events like rock climbing nights, you pay for the climbing passes for your members. These social events occur once a month between jump days and are focused on fostering a community within your membership. You allocate g percent of your total time and h percent of your total budget to these monthly socials.

Your weekly leadership meetings are centered on discussing your budget, upcoming social events and jump days, and other topics related to your operations. You allocate g percent of your total time and do not allocate any of your budget to these weekly meetings.

You also conduct miscellaneous activities. Each semester you spend two weeks tabling to your community to grow your membership. You purchased a skydiving rig that is free to use for your licensed members. You assist your members that choose to pursue a solo skydiving license, and also coordinate discounts between your members and E. Lastly you purchase merchandise such as stickers, t-shirts, and hoodies. These items are free or sold to members at cost. You allocate g percent of your total time and h percent of your budget to these miscellaneous activities.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for 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 Section 1.501(c)(3)-1(a)(1) states that in order to qualify under IRC Section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt purposes. 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.

Revenue Ruling 66-179, 1966-1 C.B. 139, Situation 4, describes a garden club which was denied exemption under IRC Section 501(c)(3) because a substantial part of the organization's activities, consisted of social functions for the benefit, pleasure, and recreation of its members. The organization described in this situation conducted substantial social functions not in furtherance of any of the purposes specified in IRC Section 501(c)(3).

Rev. Rul. 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 IRC Section 501(c)(3) because it was not operated exclusively for exempt purposes

In Better Business Bureau v. United States, 326 U.S. 279 (1945), the Supreme Court of the United States held that the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption regardless of the number or 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 IRC 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, 49 T.C. Memo 1985-162, 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 activities.

International Postgraduate Medical Foundation v. Comm'r, T.C. Memo 1989-36 (1989), held if the organization's activities are directed at providing opportunities for recreational endeavors, its claim to exempt status under IRC Section 501(c)(3) will be denied.

Application of law

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests to qualify for exempt status. An organization must be both organized and operated exclusively for purposes described in IRC Section 501(c)(3). You have failed to meet the operational test as explained below.

You are a club whose members participate in substantial recreational activities. By organizing social and recreational activities for your members, you are not exclusively furthering exempt purposes as required in Treas. Reg. Section 1.501(c)(3)-1(c)(1). You have not described any educational aspects to your activities and stated that you have no part in the skydive experience other than providing transportation. Members pay E for their skydiving experience, and receive training and preparation from E. Although your members may receive some education from E, the majority of your activities are social and recreational. Therefore, you do not meet IRC Section 501(c)(3) because, as described in Better Business Bureau, the presence of this substantial non-exempt purpose precludes you from exemption under Section 501(c)(3).

You are similar to the organizations described in Rev. Rul. 66-179 and Rev. Rul. 77-366. While your goal is to provide hands-on skydiving education with emphasis on safety protocols and techniques, over half of your time and budget are allocated to social events and facilitating recreational skydiving for your members. Although members may receive skydiving education from E, and you may facilitate your members receiving this education, your activities are primarily social and serve to assist your members in enjoying recreational skydiving.

Finally, you are similar to the organizations in Minnesota Kingsmen Chess Association, St. Louis Science Fiction Limited, and International Postgraduate Medical Foundation where substantial social and recreational activities precluded exemption under IRC Section 501(c)(3), despite some of your activities incidentally furthering exempt purposes. Although some of your activities may charitable or educational purposes, these are incidental to your primary purpose of providing substantial social and recreational activities to your members.

Conclusion

Based on the information 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 social and recreational purposes. Accordingly, 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 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