



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

Date:
09/30/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202552024
Release Date: 12/26/2025
UIL Code: 501.03-00, 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:

**08/14/2025
Employer ID number:**

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

C= Territory

D= Date

UIL:

501.03-00

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 were formed in the C on D. Your Certificate of Incorporation states that your purpose is to safely promote drag racing, auto-cross, auto-drifting, motorcycle racing, ATV's and other off-road vehicles. Your assets, upon dissolution, will be distributed to an organization or organizations operated for IRC Section 501(c)(3) purposes.

You intend to use a motorsports facility in C for recreational purposes, motorsports skills and safety training, and competitive events to benefit the community at large. The majority of your motorsports activities include drag racing, drifting, off road racing, motocross racing, autocross racing, and mountain bike racing. Your volunteer members conduct these activities. Some of the skills and safety training offered will be under the supervision of the Department of Public Safety. You note that these activities are intended to promote the safe conduct of motor sports activities in C, lessening the possibility of injury from unsafe or illegal activities.

You state that you foster motorsports activities for the community, and do not officially participate in or prepare participants for national or international competition. You state that you are not associated or affiliated with any national or international sports organizations. You provided no evidence that you operate under the guidelines or supervision of any motorsport governing bodies. You also state that there are no requirements to meet and achievement level to participate in your activities.

You plan to be funded by public donations, sponsors, and entrance fees. Your primary expenses include occupancy expenses, salaries and wages, and professional fees.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals." No part of the net earnings may inure to the benefit of any private shareholder or individual.

IRC Section 501(j) provides that an organization which fosters national or international amateur sports competition, but whose activities also involve the provision of athletic facilities or equipment, may still qualify for exemption under Section 501(c)(3) if the organization is considered a "qualified amateur sports organization" under Section 501(j)(2). For purposes of this subsection, the term "qualified amateur sports organization" means any organization organized and operated exclusively to foster national or international amateur sports competition if such organization is also organized and operated primarily to conduct national or international competition in sports or to support and develop amateur athletes for national or international competition in sports.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that, in order for an organization to qualify for exemption under IRC Section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt purposes specified in such section. If an organization fails to meet either the organizational or operational test, the organization will not qualify for exemption.

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 organization:

- a) Limit the purposes of such organization to one or more exempt purposes; and
- b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

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.

Treas. Reg. Section 1.501(c)(3)-1(d)(3) defines "educational" as instruction or training of the individual for the purpose of improving or developing his capabilities and/or the instruction of the public on subjects useful to the individual and beneficial to the community.

Revenue Ruling 70-4, 1970-1 C.B. 126, describes an organization engaged in promoting and regulating a sport for amateurs. The organization's purposes were to promote the health of the general public by encouraging all persons to improve their physical condition and fostering public interest in a particular sport. Its activities were directed toward promoting sport tournaments, exhibitions and holding instructive clinics. The organization did not qualify for exemption under IRC Section 501(c)(3).

Rev. Rul. 80-215, 1980-2 C.B. 174, held that an otherwise qualifying organization that is formed to develop, promote, and regulate a sport for individuals under 18 years of age by organizing local and statewide competitions, promulgating rules, organizing officials, presenting seminars, distributing a newsletter, and otherwise encouraging growth of the sport qualifies for exemption under IRC Section 501(c)(3).

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 Hutchinson Baseball Enterprises, Inc. v. Commissioner, 696 F.2d. 757 (1982), the court held that an organization that promoted recreational and amateur sports was exempt as a charitable organization under IRC Section 501(c)(3). The organization undertook numerous activities to promote the sport of baseball, and the court found that the purpose of promoting sports predominated over subsidiary purposes, such as members' recreational or social benefit.

In Minnesota Kingsmen Chess Association Inc v. Commissioner, T.C. Memo. 1983-495, the organization sponsored check 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 furthers a substantial recreational purpose, even though individual participants may have received some educational benefits.

In St. Louis Science Fiction Limited v. Commissioner, 49 TCM 1126, 1985-162, the Tax Court held that a science fiction society failed to qualify for tax-exempt status under Section 501(c)(3) of the Code. 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

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). Based on the information provided, you fail the organizational and operational tests.

Organizational Test

Your Articles of Incorporation do not contain an adequate purpose clause that limits your purposes to one or more exempt purposes under IRC Section 501(c)(3). As a result, you have not satisfied the organizational test described in Treas. Reg. Sections 1.501(c)(3)-1(b)(1)(i).

Operational Test

You do not meet the operational test under IRC Section 501(c)(3) because you are not operated exclusively for charitable, educational, fostering national or international amateur sports competition, or other Section 501(c)(3) purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). Your motorsports activities may serve some educational purposes, as described in Treas. Reg. Section 1.501(c)(3)-1(d)(3), through your motorsports skills and safety training, but the overall purpose of these activities is to provide social and recreational opportunities to the community.

You are not a qualified amateur sports organization, as described in IRC Section 501(j)(2), because you are not operated primarily to foster national or international amateur sports competition, or support and develop amateur athletes for national or international competition in sports. Rather, the persons involved in your activities are participating in a sport for their own enjoyment and recreation. You do not have any special requirements to participate in your activities. Thus, you are not an amateur sports organization as described in Section 501(j).

You are like the organization described in Rev. Rul. 70-4 because you conduct recreational motorsports activities for the general public rather than providing education with the goal of improving and developing the capabilities of amateur motorsport participants. You are also unlike the organization described in Rev. Rul. 80-215 because your motorsport activities are open to all ages rather than limited to those under the age of 18.

Similar to St. Louis Science Fiction and Minnesota Kingsmen, while a portion of your activities are educational in nature, your sports activities further substantial recreational and social purposes. Like the organization in Better Business Bureau, this is a substantial non-exempt purpose that will preclude exemption under section 501(c)(3).

You are unlike the organization in Hutchinson Baseball Enterprises, because your primary activity is to provide recreational sports opportunities for all ages. In Hutchinson Baseball Enterprises, the organizations primary activity resulted in the furtherance of amateur athletics. The organization provided coaching and instruction for children and recruited only top amateur baseball players to play on the team it sponsored. The organization also hired a coach, general manager, and trainer to work with the team. In contrast, you provide no formal or ongoing instruction to your participants outside of occasional instructive clinics, nor do you have any other characteristics that indicate that your activities are in furtherance of amateur athletics.

Conclusion

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