



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

Date:
08/14/2025
Employer ID number:

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

Release Number: 202552033
Release Date: 12/26/2025
UIL Code: 501.03-00, 501.03-30

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

Date:
06/27/2025
Employer ID number:

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

Legend:

B = Date
C = State
D = Organization
E = Game
F = Place
g percent = Percent
j = Time
k dollars = Funds

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 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 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

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

You conduct D sanctioned E tournaments and various club activities for the public to attend and play the game. Participants vary across all ages and cultural demographics.

You do not have one central location to conduct the tournaments and club meetings. You use various locations depending on the size of the tournaments or club needs. Most of your activities have been conducted at F. Other locations can be at other restaurant's banquet rooms or public libraries.

You operate two E clubs that meet once per week at various locations. Tournaments that are conducted average around three to four a month. Participants are charged an entry fee for each tournament. The amounts are calculated based on the length of the tournament and how large the prize fund is. g of the entry fees is used to fund prizes for the players and other g is retained for operating expenses such as tables, clocks, boards, board numbers, computers, E teaching software for kids.

You spent j per week and around k of your board members personal funds to conduct and fund the operation of your activities.

Law

IRS 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.

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 IRC Section 501(c)(3) if the organization meets the requirements under IRC Section 501(j) and is considered a "qualified amateur sports organization" under IRC Section 501(j)(2). Qualified amateur sports organizations will qualify for tax-exempt status whether or not they provide facilities or equipment to their members, and whether or not their membership is local or regional in nature.

IRC Section 501(j)(2) states a “qualified amateur sports organization” is any organization organized exclusively to foster national or international amateur sports competition if it 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.

Revenue Ruling 64-275, 1964-2 C.B. 142, held an organization formed for the purpose of training suitable candidates in the techniques of racing sailboats in national and international competition, and thereby improving the caliber of candidates representing the United States in Olympic and Pan-American games, qualifies for exemption as an educational organization described in IRC Section 501(c)(3).

Revenue Ruling 65-2, 1965-1 C.B. 227, describes an organization that is organized and operated for the purpose of teaching a particular sport to children under the ages of 18 by holding clinics conducted by qualified instructors. The organization was recognized as an organization described in IRC Section 501(c)(3) because it is exclusively charitable and educational.

Revenue Ruling 80-215, 1980-2 C.B. 174, describes an organization that was formed to develop, promote and regulate a sport for youth under the ages of 18 and to promote sportsmanlike competition among the players. Additionally, it promulgated rules, organized officials, and presented seminars for players and coaches and referees. The organization combatted juvenile delinquency by providing a recreational outlet for the young people, which is a charitable purpose. Furthermore, the organization was educational because it taught and developed the skills of the youth.

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 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. These activities including recruiting highly skilled adults for amateur baseball teams, maintaining baseball fields and providing coaching for Little League.

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 court found that the promotion of chess tournaments furthered a substantial recreational purpose, even though individual participants may have received some educational benefits.

Application of law

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests for an organization to be recognized as exempt. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). Based on the information provided, you fail the operational test.

Based on the facts and circumstances, you conduct activities that are substantially recreational and social in nature. Organizations substantially formed for a social and recreational purpose do not meet the requirements for exemption under IRC Section 501(c)(3) as required in Treas. Reg. Section 1.501(c)(3)-1(c)(1).

You do not meet the requirements of IRC Section 501(j)(2) as a qualified amateur sports organization. While you may be associated with a national governing body, D, and conduct regular tournaments in conjunction with D, you have not provided sufficient documentation that shows evidence that you conduct a structured training program which prepares participants for national and international competitions. You also operate solely to provide the opportunity for all ages and skill levels the opportunity to play. Therefore, you do not meet the requirements as a qualified amateur sports organization under Section 501(j).

You are unlike the organizations described in Rev. Rul. 64-275, Rev. Rul. 65-2, Rev. Rul. 80-215. The organizations described in these rulings were found to be exempt due to their activities were found to be geared toward an exclusive charitable or educational purpose. You are substantially formed for a social and recreational purpose. You are not formed to provide training for national or international competition, you are not formed to combat juvenile delinquency, and you are not formed exclusively to teach the game of E.

Unlike the organization in Hutchinson Baseball Enterprises, Inc., while you are engaging in, and promoting, a recreational activity, the organization in this ruling also had an exclusively educational element due to its goal of providing training to select participants to advance their skill level. However, you state participation with you is open to all in the community regardless of age and skill level. Therefore, your activities lack an exclusively exempt purpose needed to qualify for exemption.

You are like the organization described in Minnesota Kingsmen Chess Association, Inc. You also conduct tournaments where you charge an entry fee and provide prizes to the winner. While you do provide some educational benefit to your participants, you are similar in nature to this organization who did not receive exemption, because your educational activities are insubstantial in nature to your foremost purpose which is to provide recreational and social activities for all age groups in the sport of E. When a single, non-exempt purpose is substantial nature, this would preclude exemption under IRC Section 501(c)(3). See Better Business Bureau.

Conclusion

Based on the above facts and analysis, you do not qualify for exemption under IRC Section 501(c)(3) because you are not operated exclusively for exempt purposes within the meaning of Section 501(c)(3). While you may at times provide an educational outlet for your community, you fail the operational test because your recreational activities further a substantial non-exempt purpose. Accordingly, you do not qualify for exemption under Section 501(c)(3). Donations made to you are not deductible.

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