



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

Date:
08/19/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202552036
Release Date: 12/26/2025
UIL Code: 501.03-00, 501.33-00, 501.35-00

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

Redacted Letter 4038



**Department of the Treasury
Internal Revenue Service**

Date:
06/26/2025
Employer ID number:

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

Legend:

C = Date
D = State
f percent = Percent

UIL:

501-03.00
501-33.00
501-35.00

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 attest that you were incorporated on C, in the state of D. 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 IRC 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.

You recognize excelling employees at a corporate-funded gala and provide education to further their knowledge. You clarified that this meant an award ceremony, as well as seminars and other education to the employees of independent contractor-agents of a major insurance provider. Both the independent contractor-agents and the major insurance provider are for-profit entities. You dedicate an equal percent of time to the awards ceremony and your educational activities, f percent, with the remaining time spent planning for both activities.

The awards ceremony focused on the performance in a specific line of insurance. Your collected fees cover dinner, a plaque, decorations, tokens, guest speakers, etc. You track each employee's progress month by month. Your performance target is excellence in educating customers on the importance of being protected and guiding consumers in making informed decisions. You track based on issued policies, with various levels based on quantity of policies issued and experience for the purpose of recognizing the most successful producing team members in your market area. Your time spent tracking performance allows you to assess progress and identify areas of improvement. You indicate that awardees will receive a complimentary photo with the leadership team from a professional photographer, with casual photos available for a small fee.

Your educational efforts focused on knowledge and tools about benefits and protection, including the financial implications of not having protection for the clients of the independent contractors. You offer video chat courses that cover various topics related to insurance, including types of policies available and how each policy contributes to consumer financial security. The courses are taught by the independent contractors, who volunteer time and expertise, and the students are employees, many of whom stay with their current employers.

Your revenue consists of corporate sponsorship, not including the major insurance provider, and fees collected from employers and gala participants. Your fees and sponsorships go to the awards ceremony/performance tracking. Your fees cover your costs without generating a profit.

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 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) 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)(1)(ii) of the regulations provides that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than private interest.

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

Revenue Ruling 68-504 1968-2 C.B. 211 held that an organization conducting an educational program specific to the banking industry, open to employees of all banks in its area, conducting occasional and insubstantial non-exempt activities may qualify under IRC Section 501(c)(3) as improving business or professional capabilities.

Rev. Rul. 74-116 1974-1 C.B. 127 held that an educational organization designed to provide specific technical information to its members, and limited to its members, was not exempt under IRC Section 501(c)(3) because providing specialized information to its members served the private interests of its members, not the public.

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 held that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes.

American Campaign Academy v. Commissioner, 92 T.C. 1053, 1076-78 (1989) held that a school that trained individuals for careers as political campaign professionals was not described in Section 501(c)(3) because its operations benefited the private interests of entities and candidates associated with a single political party. The Tax Court observed that an organization's conferral of benefits on disinterested persons (i.e., unrelated third parties) may cause the organization to serve private rather than public interests.

In Quality Auditing Company, Inc. v. Commissioner, 114 T.C. 498 (2000), the Tax Court found that the development and administration of a quality certification program, at the request of and for the structural steel industry, had a focus on aiding industry participants, with any benefit to the general public being merely secondary. The private interests served were found to be substantial in comparison to the benefit reaped by the general public. Furthering private interests constitutes a nonexempt purpose. Petitioner did not establish that it was operated exclusively for exempt charitable purposes and was found not to be entitled to exemption from taxation as a charitable organization described in Section 501(c)(3).

Application of law

IRC Section 501(c)(3) sets forth two main tests for qualification for exempt status. As stated in Treas. Reg. 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 provided in your application and supporting documentation, we conclude that you fail the operational test.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) requires an organization show that it is not organized or operated for private interests. Although you may conduct some educational activities at your gala, this education is provided to a select group of individuals with the goal of assisting these individuals in increasing their insurance sales. Your activities provide a substantial private benefit to the participants in this gala. While these educational activities may be described in Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i), these activities are operated in a manner that serves private interests. Any benefit to the public is incidental to the benefit conferred to the recipients of your educational activities.

Your key performance metric for the awards ceremony is issued policies/insuring individuals, in other words, sales of policies, making your definition of excelling employees production based. While you track performance to assess progress and identify areas for improvement, the improvement is in employee sales. You limit your awards to the employees of a specific group of for-profit entities. You operate for the substantial non-exempt purpose of generating sales for your participants. As such, you are not operated exclusively for exempt purposes as described in Treas. Reg. Section 1.501(c)(3)-1(c)(1).

You provide general business knowledge on the insurance industry and knowledge specific to the policies of a major insurance provider, to the employees of the provider's agents, with many employees staying with their current independent contractor-agent. Unlike the organization described in Rev. Rul. 68-504, your educational activities provide a direct benefit to the employees and agents of a major insurance provider rather than to the industry as a whole or the general public.

Like the organization described in Rev. Rul. 74-116, you provide specialized information to a limited pool of individuals, in a way that serves the private interests of those individuals rather than the interests of the general public. Therefore, you should not be exempt under IRC Section 501(c)(3).

Similar to the organizations described in Quality Auditing Company, Inc., and American Campaign Academy your education program focuses on aiding a select group of insurance professionals in increasing their sales. The private interests served are substantial in comparison to the benefit reaped by the general public.

You are like the organization described in Better Business Bureau. Although you do have some educational purposes, you have substantial non-exempt purposes of serving the private interests of your gala attendees. The presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes.

Conclusion

You are not operated exclusively for IRC Section 501(c)(3) purposes. Your activities have substantial non-exempt purposes and substantially benefit private individuals. 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