



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

Date:
10/21/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202603002

Release Date: 1/16/2026

UIL Code: 501.04-00

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)(4). 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.

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
Letter 4038



**Department of the Treasury
Internal Revenue Service**

Date:
09/03/2025
Employer ID number:

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

Legend:

B = Date
C = State
p dollars = dollar amount
q dollars = dollar amount
r percent = percentage
s percent = percentage
t percent = percentage
u percent = percentage

UIL:
501.04-00

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)(4). 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)(4)? No, for the reasons stated below.

Facts

You were incorporated on B in the state of C. Your Articles of Incorporation and Bylaws state that your purpose is to build up a neighborly spirit, promote the interests of your membership as a group, and to discuss matters of interest to your membership as a social club.

You conduct activities for members and non-members. Your membership automatically includes anyone residing within your neighborhood's boundaries, which is estimated to be about homes.

Your primary activity, constituting well over half of your time, expenses, and revenue, is renting your building/hall to members and non-members, which is used frequently for weddings, baby showers, birthdays, and celebrations of life. You indicated that you are the least expensive option for a hall rental in your area.

Fees for renting your hall are determined based on costs for maintenance and to pay for activities. Per your website, your members pay a flat rate of p dollars per rental and non-members pay q dollars an hour per rental. Your sole source of income is from renting your hall. In \square , member rentals comprised r percent of your income while most of your income came from non-member rentals comprising s percent of your income.

Per your financials, your biggest expense is the mortgage on your hall. Your other major expenses are all related to your hall rental activity, including labor (hall manager and custodians), maintenance (cleaning supplies, roof replacement, lawn care, and furnace replacement), utilities, and insurance.

Your other activities, which together make up a small portion of your money and effort, include:

- Monthly member meetings to connect city leaders with their neighborhood residents. The speakers include the mayor, city manager, local charities, and military. You provide coffee and snacks and spend less than u percent of your resources on this activity.
- A community barbecue, once a year, where members and some non-members attend. This event aims to bring residents together for socializing, crafts, and an opportunity to connect with the fire department, police department, and city leaders. You provide food and spend around t percent of your resources on this activity.
- A holiday potluck, once a year, where members and some non-members attend. This event aims to bring residents together to socialize. You provide meat and decorations and spend u percent of your resources on this activity.
- A plant sale, once a year, where members and some non-members attend. This event brings residents together to socialize and to start the gardening season. You provide refreshments and spend less than u percent of your resources on this activity.
- A garage sale, once a year, where members and some non-members attend. This event brings residents together to socialize and gives them an opportunity to sell items, after spring cleaning, that they no longer want or need. You provide refreshments and spend less than u percent of your resources on this activity.

Law

IRC Section 501(c)(4) provides for the exemption from federal income tax for civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare. Further, exemption shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(4)-1(a)(1) states a civic league or organization may be exempt as an organization described in IRC Section 501(c)(4) if it is not organized or operated for profit and it is operated exclusively for the promotion of social welfare.

Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i) provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Treas. Reg. Section 1.501(c)(4)-1(a)(2)(ii) provides that an organization is not operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

Revenue Ruling 67-109, 1967-1 C.B.136, held that an organization formed to operate a roller skating rink as a recreational facility for the benefit and use of all of the residents of a particular county in a county-owned building that it operates rent-free in cooperation with the county government, and where the rink was open to the general public upon payment of only such nominal dues and admission charges as were needed to defray operating expenses (any profit which the rink realized was donated to the county for necessary improvements to the rink building), may qualify for exemption under IRC Section 501(c)(4).

Rev. Rul. 68-46, 1968-1 C.B. 260, held that an organization that had a building/hall available for rent to the general public, which constituted the major portion of the organization's gross receipts, did not qualify for IRC Section 501(c)(4) because the activity exceeded all its other activities. The organization had two ultramodern kitchens used for serving meals, the facilities were in daily use by non-member groups, and it employed a manager, assistant manager, and a full time staff to operate its dining room, bar facilities, and the hall.

In Santa Cruz Building Association v. United States, 411 F. Supp. 871 (E.D. Mo. 1976), a building association created by a subordinate council of the Knights of Columbus, which was used substantially to make rentals to the public, was held not to qualify for exempt status as a civic organization under IRC Section 501(c)(4). The building council charged both members and non-members rent for use of its hall. The Council used the hall 30% of the time while the public used the hall 70% of the time. The building association's primary source of income was from bar sales, building rentals, and parking lot rentals. The building association was held not to be exempt under this provision because the association was operated primarily for the benefit of its members, not the community as a whole, and because it carried on a substantial business for profit with the general public and for the benefit of its individual members, the activities of which had become an end on their own. The district court stated that organizations primarily engaged in profit making and nonsocial welfare activities cannot take an exemption under IRC Section 501(c)(4).

Application of law

IRC Section 501(c)(4) and Treas. Reg. Section 1.501(c)(4)-1(a)(1) set forth that civic leagues or organizations must not be organized for profit and must be operated exclusively for the promotion of social welfare to qualify for exempt status. Furthermore, Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i) provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Moreover, Treas. Reg. Section 1.501(c)(4)-1(a)(2)(ii) provides that an organization is not operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

You are like the organizations described in Rev. Rul. 68-46 and in Santa Cruz Building Association, that were denied exemption under IRC Section 501(c)(4). Like you, these organizations were primarily carrying on the trade or business of renting event space to the general public. Your sole income source is from the rental of your hall (your primary activity) to members and non-members which is used frequently for weddings, baby showers, birthdays, and celebrations of life. Furthermore, nearly all of your expenses are used to further your hall rental activity. While you do provide some social gatherings that may further the social welfare of the area, these activities constitute an insubstantial portion of your resources.

You are not like the organization described in Rev. Rul. 67-109. This organization was granted exemption under IRC Section 501(c)(4). It worked closely with the county government, only charged nominal dues and admission charges, and remitted any profit back to the county government for necessary improvements to the county owned rink building. Unlike you, this organization's special relationship with the local government allowed it to be more responsive to the social welfare of the area.

Conclusion

Your monthly member meetings to connect city leaders with your neighborhood residents may constitute promoting social welfare, however, you spend less than u percent of your resources on this activity. Your primary activity is carrying on a business for profit with the general public. You indicated that you are the least expensive option for a hall rental in your area, however, this fact does not mean you are promoting social welfare. Carrying on a business for profit with the general public does not promote social welfare. Therefore, you do not qualify for IRC Section 501(c)(4).

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