



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

Date:
11/13/2025
Employer ID number:

Form you must file:

Person to contact:

Release Number: 202606003
Release Date: 2/6/2026
UIL Code: 501.03-00, 501.30-00

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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Letter 437

Redacted Letter 4034

Letter 4038

cc:



**Department of the Treasury
Internal Revenue Service**

Date:
09/26/2025
Employer ID number:

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

Legend:

X = Date
Y = State
Z = School

UIL:
501.03-00
501.30-00

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 were incorporated on X, in the State of Y. Your articles of incorporation reference charitable, educational, and religious purposes defined as receiving and maintaining a fund. You have a notwithstanding clause forbidding you from activities not allowed under IRC Sections 170(c)(2) or 501(c)(3), and a compliant dissolution clause.

Your Bylaws indicated your purpose is to assist Z in raising money to provide funds to collegiate athletes for their name, image, and likeness (NIL) in exchange for community service to non-profit organizations, all in compliance with NCAA rules and regulations.

Your application stated that your exempt purposes will be furthered by donating the time and inherent benefits of celebrity through the NIL of the student-athletes to local charities, which you assert should be able to increase publicity and attendance at their events and thus enhance their fundraising activities. You further stated you empower the student-athletes to stay in school and support themselves financially. This NIL activity uses all of your time.

You characterized your activities as sponsorships, which include one-time or monthly payments with other terms and criteria determined by your board. You provided a sample agreement which requires student-athletes to provide autographs, a minimum twice per month social media post, and attend a youth camp related to their

sport. All of your funds go to student-athletes in return for accepting the sponsorships. Student-athletes are selected based upon willingness, notoriety, and alliance with the values of other organizations that will receive the benefit of appearances at their events and programs by the student-athletes.

You stated that student-athletes must sign up at a third-party website and can request an offer directly on the site. To receive an offer, they must be a student at Z, and your board selects a recipient among the few hundred student-athletes on the third-party website.

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) states that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than private benefit. Thus, the organization must establish that it is not organized or operated for the benefit of private interests, such as designated individuals.

Treas. Reg. Section 1.501(c)(3)-1(d)(2) defines the term “charitable” as including the relief of the poor and distressed or of the underprivileged, and the promotion of social welfare by organizations designed to lessen neighborhood tensions, to eliminate prejudice and discrimination, to defend human and civil rights secured by law, or to combat community deterioration. The term “charitable” also includes the advancement of religion, education, or science.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) provides that the term “educational,” as used in IRC Section 501(c)(3), relates to the instruction or training of individuals for the purpose of improving or developing their capabilities, or the instruction of the public on subjects useful to the individual and beneficial to the community.

Revenue Ruling 61-170, 1961-2 C.B. 112, held that an organization with bylaws specifically providing for the employment of designated individuals, member-nurses, was operating an employment service. Therefore, it was not free from consideration of substantial private benefit and was not exempt under IRC Section 501(c)(3).

Rev. Rul. 75-286, 1975-2 C.B. 210, held that an organization formed to beautify a city block was not exempt under IRC Section 501(c)(3) due to the restricted nature of its membership and the limited area of focus. This was deemed to serve the private interests of its members by enhancing the value of its property rights.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), held that the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption, regardless of the number or importance of truly exempt purposes.

Miss Georgia Scholarship Fund, Inc. v. Commissioner, 72 T.C. 267, 271 (1979), considered an organization whose only activity was providing funds in the form of scholarships to individuals which were conditional on performance of obligations assumed by the participants. The Court held these scholarships were compensatory in nature and, therefore, did not qualify as educational grants under IRC Section 117, and since this was the organization's only activity, it did not qualify for exemption under IRC 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 IRC Section 501(c)(3).

As described in your Bylaws, your purpose is to give money to individuals for services and using their NIL. This serves to benefit designated individuals, the student-athletes at Z, by providing a direct economic benefit, which is your only activity. This violates Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) because you have not established that the student-athletes are a charitable class. None of the criteria you list for selecting student-athletes, such as willingness, notoriety, and alliance with the values of other organizations, indicates this group represents a charitable class benefited by activities that further charitable purposes defined in Treas. Reg. Section 1.501(c)(3)-1(d)(2). Therefore, you are not operated for exempt purposes, which precludes exemption under IRC Section 501(c)(3).

Your primary activity is compensating student-athletes in compliance with NCAA rules and regulations. While you assert your activities further exempt purposes by donating the services and NIL to local charity partners, this compensation doesn't further educational purposes by providing for instruction which is useful to individuals or the community as described in Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) and Miss Georgia Scholarship Fund, Inc. Furthermore, the student-athletes do not represent a charitable class within the meaning of Treas. Reg. Section 1.501(c)(3)-1(d)(2), making this activity one which furthers a non-exempt purpose. Since this is your only activity and it substantially furthers a non-exempt purpose, exemption under IRC Section 501(c)(3) is precluded (see Treas. Reg. Section 1.501(c)(3)-1(c)(1), Better Business Bureau of Washington, D.C., Inc., and Miss Georgia Scholarship Fund, Inc.).

Similar to the organization in Rev. Rul. 61-170, you increase the employment opportunities for a limited group of individuals. In your case, you finance the exchange of the student-athletes for their services and NIL, serving their private interests, not public interests; therefore, you are not exempt under IRC Section 501(c)(3).

Similar to the organization in Rev. Rul. 75-286, your activities limit your beneficiaries to a specific group and provide a direct benefit to that group, which serves private interests, not public interests. Therefore, you are not exempt under IRC Section 501(c)(3).

Conclusion

Your only activity is creating opportunities for designated individuals to sell their NIL property in exchange for services. This means you serve private interests and are operated for a substantial non-exempt purpose. Therefore, you are not exempt 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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

cc: