



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

Date:  
01/09/2026  
Employer ID number:

Form you must file:

Person to contact:

Release Number: 202614029  
Release Date: 4/3/26  
UIL Code: 501.03-00, 501.36-01

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](http://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  
PO Box 2508  
Cincinnati, OH 45201

Date:  
11/14/2025  
Employer ID number:

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

**Legend:**

B = Date  
C = State  
D = Entity  
E = Entity  
F = Program  
G = Program  
x percent = percentage  
y dollars = dollar amount  
z percent = percentage

UIL:  
501.03-00  
501.36-01

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, 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 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 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

Your Form 1023-EZ states you operate D. You built D specifically for lawyers to receive payments in accordance with applicable guidelines, as well as provide management and technical assistance at a discounted rate to nonprofit legal firms.

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

D is a streamlined payment service for lawyers to send and receive payments securely and in compliance with established legal and financial guidelines. Your website indicates you offer comprehensive solutions in the form of a fully integrated suite of tools to build a more profitable business. You state you are similar to E, a for-profit legal payment management solution, except you focus on supporting nonprofit legal firms.

You are a membership organization open to legal services providers within the U.S.A. However, you intend to prioritize your services for nonprofit legal aid organizations, which you state face unique challenges, such as cost barriers, fragmented solutions, and lack of tailored support, when trying to access one of the many payment processing services available to legal firms. D will address these unique challenges by offering (i) affordable payment processing and (ii) comprehensive digital solutions.

You assert affordable payment processing will reduce operational costs for legal providers, while comprehensive digital solutions will include a fully functional website at zero cost, which will provide a blog for updates and legal insights, a service page to highlight offerings, and a booking function to facilitate appointments and consultations. This is intended to improve client outreach, client engagement, and operational efficiency for nonprofit legal firms, as well as expand access to legal representation for underserved communities by enabling nonprofits to serve more clients within their existing budgets.

You also state D will lessen the burdens of government by generating net savings for federally funded legal aid programs. You provided a cost-recovery fee model indicating Congressional appropriations to underwrite civil legal aid will be more efficiently used by nonprofit legal firms through D, which will decrease costs associated with licensing fees, client intake, and audits. These savings will then be utilized to fund additional hours of direct legal assistance and representation, ensuring broader access to justice.

X percent of your services is estimated to be used by nonprofits at half the price of your monthly rate, y dollars. To receive your discounted pricing, nonprofit legal providers will need to agree to your terms of service and provide proof of exemption under IRC Section 501(c)(3). All members will pay the same z percent transaction fee on each invoice total to help maintain and improve D, above any additional processing fees charged by a third party. All software development, maintenance, and user support are currently managed by your founder and president.

You also publish and maintain two open-source software projects, F and G. F offers a collection of tools for use by legal providers to help with such tasks as timekeeping, retainer tracking, and audit logs. F is free for legal aid nonprofits and pro bono attorneys. G is an application that aids in client intake, scheduling, and operational payment capture through D. G includes a free monthly allowance; after that, there is nominal meter-billed usage based on whether the user is a legal aid nonprofit and pro bono attorney or a commercial law firm.

According to your current and future financial projections, you will be funded solely by your fees and invoice percentage fee. Your future projections show net revenues in excess of expenses, which you will reinvest in D to enhance your services. You also intend to apply for grants and solicit donations after you obtain nonprofit status under IRC Section 501(c)(3).

#### **Law**

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for charitable, educational, or other enumerated 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) provides that, to qualify for exemption, an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either of the above tests, the organization will not qualify for exemption.

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 section 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) provides that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest. To meet this requirement, an organization must establish that it is not organized or operated for the benefit of private interests, such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Treas. Reg. Section 1.501(c)(3)-1(d)(2) states that the term ‘charitable’ is used in IRC Section 501(c)(3) in its generally accepted legal sense and may include relief of the poor and distressed or of the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of public buildings, monuments, or works; lessening of the burdens of government; and promotion of social welfare by organizations designed to accomplish any of the above purposes.

In Revenue Ruling 71-529, 1971-2 C.B. 234, a nonprofit organization that provided assistance in the management of participating colleges' and universities' endowment or investment funds for a charge

substantially below cost qualified for exemption under IRC Section 501(c)(3). The assistance was essential services not of a typical business nature and provided substantially below cost for its members. This was held in contrast to Rev. Rul. 69-528, which was denied exemption under Section 501(c)(3) for operating in a commercial manner by providing typical investment management services on a recurring basis for a fee. The services would otherwise be unrelated trade or business if carried on by any of the tax-exempt organizations on whose behalf it operated.

In Rev. Rul. 72-369, 1972-2 C.B. 245, an organization formed to provide managerial and consulting services at cost to unrelated exempt organizations to improve the administration of their charitable programs did not qualify for exemption under IRC Section 501(c)(3). Providing managerial and consulting services on a regular basis for a fee is trade or business ordinarily carried on for profit. The fact that the services in this case were provided at cost and solely for exempt organizations was not sufficient to characterize this activity as charitable within the meaning of Section 501(c)(3).

In Rev. Rul. 75-286, 1975-2 C.B. 210, an organization formed by the residents of a city block to beautify and preserve that block did not qualify for exemption under Section 501(c)(3). The restricted nature of the organization's membership and the limited area in which its improvements were made indicated that the organization was organized and operated to serve private interests by enhancing the value of its members' property rights, even if the community benefited incidentally from the improvements to the city block.

In Rev. Rul. 85-2, an organization was formed to provide legal counsel and training to volunteers to serve as guardians ad litem in juvenile court. The program was operated by the juvenile court and supported in part by grants from the court, which previously undertook to appoint and compensate attorneys itself. The organization was ruled to lessen the burdens of government under IRC Section 501(c)(3) by conducting activities for which there was an objective manifestation that the government considered such activities to be its burden. This manifestation may be shown by considering all facts and circumstances and must address whether (1) the government actually considers the organization's activities to be its burden, and (2) the activities actually lessen that burden. The fact that an organization is engaged in an activity that is sometimes undertaken by the government is insufficient to establish a burden of government.

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 a claim for exemption regardless of the number or importance of truly exempt purposes.

In B.S.W. Group, Inc. v. Commissioner, 70 T.C. 352 (1978), the Tax Court held an organization whose purpose was to furnish consulting services to exempt and other not-for-profit organizations was not exempt under IRC Section 501(c)(3). These services were intended to be an alternative to full-time staffing of its client organizations where budget constraints and lack of expertise would otherwise prevent such staffing. All its income derived from these consulting services. Although its officers received no compensation and its fees were less than its competitors, the court held the organization was still engaged competitively in a business normally pursued by commercial enterprises, which gave "strong evidence of the predominance of non-exempt commercial purposes" and disqualified it from exemption under Section 501(c)(3).

### **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 IRC Section 501(c)(3). Based on the information you provided in your application and supporting documentation, we conclude you do not meet the operational test for failure to exclusively further exempt purposes under Section 501(c)(3) as described below.

#### *Exclusivity Test under IRC Section 501(c)(3)*

You have not shown you are operating exclusively for exempt purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). Exclusivity with respect to IRC Section 501(c)(3) does not mean “solely” or “only” but rather “primarily” for exemption purposes. Accordingly, your primary activity is collecting fees from your members for access to a fully integrated suite of legal practice tools, D. Your other activities, including your open-source software projects, are secondary and insubstantial compared to your primary activity. Therefore, your primary purpose and main activity is offering a service similar to commercial enterprises, like E, at a discounted rate for your members, and does not exclusively further exempt purposes under Section 501(c)(3).

The concept of exclusivity as it pertains to IRC Section 501(c)(3) is illustrated in Better Business Bureau of Washington, D.C., Inc., in which it was held that the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption. Your primary purpose of offering a discounted commercial package suite competitively against other legal-practice platforms to fill a market gap for nonprofit legal aid organizations is a substantial non-exempt purpose and precludes exemption under IRC Section 501(c)(3). Again, your other activities, even if furthering exempt purposes, are insubstantial compared to your primary purpose of operating D for your members and, thus, destroys your claim for exemption.

#### *Charitable Purposes under IRC Section 501(c)(3)*

You have also not shown you further charitable purposes as described in Treas. Reg. Section 1.501(c)(3)-1(d)(2). You argue D will result in cost reductions for legal aid providers, which will, in turn, expand the operational capacity of your members to serve more clients, thus increasing access to legal representation for underserved communities and ensuring broader access to justice.

However, creating operational efficiencies for your members through D is not the same as direct engagement in activities that provide relief to the poor, distressed, or underprivileged within the meaning of IRC Section 501(c)(3). Anticipating that the potential for cost reductions from D will result in operational efficiencies which will be paid forward by your members to further charitable purposes under IRC Section 501(c)(3) does not directly provide relief to the poor, distressed, or underprivileged, as contemplated by Section 501(c)(3), nor does it further any other charitable purposes described in Treas. Reg. Section 1.501(c)(3)-1(d)(2), including lessening the burdens of government.

You assert you lessen the burdens of government under Treas. Reg. Section 1.501(c)(3)-1(d)(2) because D will generate measurable net savings for federally funded legal aid programs, thus allowing Congressional appropriations to be used more efficiently by legal providers. However, unlike the organization in Rev. Rul. 85-2, you have not shown how the government considers your activities to be its burden. You have not shown that the government operates a legal-practice platform with payment processing services for legal aid providers, nor have you shown it appropriate funds directly to you for such an activity. Thus, no objective manifestation has been shown to demonstrate how your activities directly lessen the burdens of government for exemption purposes under IRC Section 501(c)(3).

Examples of other organizations denied exemption for failure to fulfill charitable purposes under IRC Section 501(c)(3) include Rev. Rul. 69-528 and Rev. Rul. 72-369. Like these organizations, you also provide a regular service on a recurring basis for a fee. In both rulings, such activities were ruled to further substantial non-exempt purposes under IRC Section 501(c)(3). Although you state D will fill a market gap for nonprofit legal aid organizations, even if your services were solely for exempt organizations, that is not sufficient to characterize your operations as charitable within the meaning of Section 501(c)(3), per Rev. Rul. 72-369.

You are also unlike the organization granted exemption in Rev. Rul. 71-529 in that your services are (i) of a typical business nature, evidenced by your comparison to E and the many other payment processing services available to legal providers, and (ii) not provided substantially below cost or exclusively to entities exempt under IRC Section 501(c)(3).

#### *Serving the Public Interest under IRC Section 501(c)(3)*

Additionally, organizations exempt within the meaning of IRC Section 501(c)(3) must serve the public interest, not private interests, as described in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii). By operating D for your members, you are serving the private interests of your members, not the public interest.

Similar to the organization in Rev. Rul. 75-286, which was denied exemption for serving private interests by beautifying and preserving a specific city block even though the community as a whole benefited from improvements to the city block, you may intend for the benefits of D to flow to the public and further charitable purposes, but your members are the direct recipients of such benefits. You operate to serve the private interests of your members by providing a fully integrated suite of legal practice tools. Your other activities are insubstantial compared to this primary activity, and while your activity may result in operational efficiencies that flow to the public in charitable ways, you have not shown you are operated exclusively to accomplish such purposes within the meaning of Section 501(c)(3).

Finally, you offer D as an alternative against other commercial legal-practice platforms, and the majority of your income is derived from fees, which is similar to the organization denied exemption in B.S.W. Group, Inc. While your fees may be less than your competitors and reduced for specific organizations, like the court's finding in B.S.W. Group, Inc., you are still primarily engaged competitively in a business normally pursued by commercial enterprises, precluding exemption under IRC Section 501(c)(3).

#### **Conclusion**

You do not qualify for tax exemption under IRC Section 501(c)(3) because you are operated for a substantial non-exempt purpose and fail the operational test. Specifically, you do not exclusively further an exempt purpose because a substantial part of your activities involves operating a discounted legal-practice platform for nonprofit, attorney and commercial including billing, and other administrative activities. Therefore, you do not qualify for tax exemption under 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](http://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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements