



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

Date:  
01/12/2026  
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202614036  
Release Date: 4/3/26  
UIL Code: 501.00-00, 501.33-00, 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  
Redacted Letter 4038



**Department of the Treasury  
Internal Revenue Service**

**Date:**  
11/12/2025  
**Employer ID number**

**Person to contact:**

**Name:**  
**ID number:**  
**Telephone:**  
**Fax:**

**Legend:**

B = Date  
C = Facility  
D = State  
E = LLC  
F = Individual

**UIL:**

501.00-00  
501.33-00  
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 were incorporated in D on B. Your Articles state that you are organized as an intentional vehicle to enable various individuals and groups to give and be a mechanism for empowering neighborhoods by enhancing lives, building wealth and providing other support to those harmed with injustice. Your Articles are silent regarding the disposition of your assets up on dissolution. Your Bylaws describe your purposes as those within IRC Section 501(c)(3) with your assets being distributed for exempt purposes upon dissolution.

Your current board members are all members of the same family. Your board will continue to serve for at least the first two years until the sale of the facility is fully accomplished. You plan to expand the board in the future.

In your initial application you described your activities as owning most of the shares of the C, a former production facility now functioning as a shared office space. You are solely responsible for maintaining the building and its operations. E is a for-profit entity that currently owns the building, and F, an individual, owns ninety percent of E. F is also listed as your Director. The C is located in an economically challenged part of your city. You said you may expand to other parts of the city and beyond, as the Board determines. You plan to

raise funds through public grants and to use these funds to “support individuals or groups who were and are harmed by injustices from the past and to the present.”

You said that a portion of the building is rented out to individuals and companies as coworking office space to help pay for building expenses while you wait for development offers. About half of the building is currently vacant/used for storage.

Your application indicated that you engage (or will engage) in economic development activities, but you didn't clearly describe the activities. You were required to provide the following about your past, present or future economic development activities:

- Description of your economic developmental programs (such as job training or business loans), including your targeted recipients and how you'll market your programs.
- Your geographic area of operation and whether any government has made designations of the area (such as a deteriorated or blighted area). Provide official documentation of any governmental agency designations, and include economic information for the area, such as conditions or rankings compared to other areas.
- The median income level and demographics of your geographic area of operation.
- The criteria you use to select program recipients or organizations for assistance.
- You were required to explain how you would end up owning the building.
- You were asked if you are a nonprofit subsidiary of E? If so, provide proper documentation.

You only provided partial responses. You failed to describe the specific economic development programs, or the criteria that you use to select assistance recipients. Rather, you only provided a generalized description that your “primary mission is to address food insecurity . . . offer monthly outreach services that include activities designed to nurture community connections . . . establish strong partnerships with local nonprofits . . . and other businesses within the neighborhood.” In addition, you stated that “we have already had summer markets, regular community educational events, [and] reduced fees for co-working space for residents.” You said you will provide resources, funding and expertise to foster economic grow/wealth building and improve conditions, particularly in the neighborhood of the C. You said you would provide financial resources for projects that create jobs, support small businesses and improve infrastructures, first contributing to the organizations that are part of the C. Those efforts will include creating a destination with a grocery store, retail opportunities and rooftop spaces. You have held “vigorous outreach programs,” including open houses, tours, and community markets to hear of the various community needs.

When describing the physical location of the C, we asked for you to provide official documentation of any government agency designations and economic information for the area. You said that the location is the most under-resourced and under-served area for public services and amenities in the city. The neighborhood is the poorest zip code in your city.

You said you will eventually become the sole owner and manager of the building known as the C. In response to the inquiry regarding how your activities further an exempt purpose, you stated that the facility “is a pioneering mixed-use redevelopment . . . our plan is to renovate the building to offer coworking areas (already functional and generating income), a cooperative resident owned grocery store (the area is a food desert), business offices, a public market, cultural and educational offerings and a stunning rooftop venue.” In addition,

you stated that with your “unique resident ownership model, [you] aim to foster wealth creation and long-term economic growth” for residents and business owners.

You said that two other individuals, in addition to F, own E. Those two individuals both have their own companies that rent space in the C “at market rate alongside all the other tenants of the building.” You submitted a financial forecast, which was prepared for E, which shows you receiving a combination of tax credits, loans, and fundraising. You said that you will take ownership of the C as part of the financial plan. It shows a very low interest 30-year loan from you to an investment fund.

Your financial data projects obtaining all of your revenue from gifts, grants, and contributions, and none from your leasing activities. Your expenses will be for fundraising, occupancy, and administrative expenses. You indicated that in the current year you plan to spend about half of your funds to operate the facility known as the C. The other half will be used for a consultant to build out the co-op grocery plan and for future years.

### **Law**

IRC Section 501(c)(3) provides for exemption from taxation for “corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals.”

Treasury Regulation Section 1.501(c)(3)-1(a)(1) states that, 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(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization (as defined in subparagraph (2)) limit its purposes to one or more exempt purposes and do not expressly empower it to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(2) provides that the term articles of organization or articles includes the trust instrument, the corporate charter, the articles of association, or any other written instrument by which an organization is created.

Treas. Reg. Section 1.501(c)(3)-1(b)(4) holds that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization’s assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization’s articles or operation of law, be distributed for one or more exempt purposes.

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 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 operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

Rev. Rul. 74-587, 1974-2 C.B. 162, 1-2, held that an organization exclusively providing below cost loans to businesses in an economically depressed area and giving preference to businesses that will provide employment opportunities for residents of the area is operated exclusively for charitable purposes.

Rev. Rul. 76-419, 1976 C.B. 146, 1-2 holding that an organization that purchased land in an economically depressed area, developed it into an industrial park, and required lessees to hire and train a significant number of unemployed residents is exclusively operated for charitable purposes.

Rev. Rul. 77-111, 1977-1 C.B. 144, 1-2 provides that constructing a retail center and leasing the buildings, while requiring tenants to employ a certain percentage of minorities is “directed to benefit the businesses in the shopping center rather than exclusively to accomplish 501(c)(3) purposes.”

The Supreme Court found in Better Business Bureau of Washington, D.C. Inc. v. United States, 326 U.S. 179 (1945), that a single, substantial, non-exempt purpose will bar a claim for exemption, regardless of whether there are other exempt purposes..

In Universal Life Church, Inc. v. United States, 372 F. Supp. 770 (E.D. Cal. 1974), the court concluded that “one seeking a tax exemption has the burden of establishing his right to a tax-exempt status.”

In B.S.W. Group, Inc. v. Commissioner, 70 T.C. 352 (1978), the Court found that “the critical inquiry is whether petitioner's primary purpose for engaging in its sole activity is an exempt purpose, or whether its primary purpose is the nonexempt one of operating a commercial business producing net profits for petitioner.” The Court went on to state that “factors such as the particular manner in which an organization's activities are conducted, the commercial hue of those activities, and the existence and amount of annual or accumulated profits are relevant evidence of a forbidden predominant purpose.” The organization failed this test because it provided consulting services for a fee which “constitutes the conduct of a consulting business of the sort which is ordinarily carried on by commercial ventures organized for profit.” The organization also failed to demonstrate that it does not compete with commercial firms and “competition with commercial firms is strong evidence of the predominance of nonexempt commercial purposes.”

In Greater United Navajo Development Enterprises, Inc. v. Commissioner, 74 T.C. 69, 82 (1980), the Tax Court found that petitioner’s primary purpose was engaging in a commercial business due to the petitioner’s main business of leasing oil drilling equipment, with no indication that the petitioner employed Navajos, contradicting its self-stated purpose of economic development of the Navajo Nation.

In Airlie Foundation v. United States, 283 F. Supp. 2d 58 (D.D.C. 2003), the court noted that Airlie acts as an intermediary and does not directly benefit the public, and Airlie's conference patrons are not limited to exempt entities. The court acknowledged that Airlie's activities have some noncommercial characteristics but found these outweighed by other factors such as the nature of Airlie's clients and competition, its advertising expenditures and substantial revenues derived from wedding and special events. In the court's review, these factors support an adverse conclusion. The court concluded that Airlie does not qualify under Section 501(c)(3) of the Code because it operates its conference center in a manner consistent with that of a commercial business.

New Dynamics Foundation v. United States, 70 Fed. Cl. 782 (2006), was an action for declaratory judgment that the petitioner brought to challenge the denial of his application for exempt status. The court, in finding that the actual purposes displayed in the administrative record supported the Service's denial, stated "It is well-accepted that, in initial qualification cases such as this, gaps in the administrative record are resolved against the applicant." The court noted that if the petitioner had evidence that contradicted these findings, it should have submitted it as part of the administrative process. The court also highlighted the principle that exemptions from income tax are matters of legislative grace.

Korean American Senior Mutual Association Inc. v. Commissioner, T.C. Memo 2020-129, 18 (T.C. 2020), finding that the petitioner did not qualify for exemption under IRC Section 501(c)(3) because it did not serve a charitable class, operated in a commercial manner, and served a private, rather than a public interest. The petitioner did not serve a charitable class because it did not help elderly people without regard to their ability to pay. The petitioner operated in a commercial manner and served a private, rather than public interest, by providing burial benefits only to paying members.

### **Application of law**

To qualify for exemption under IRC Section 501(c)(3) you must be both organized and operated exclusively for exempt purposes as described in Treas. Reg. Section 1.501(c)(3)-1(a)(1). You have failed to meet both the organizational and operational requirements.

### **Organizational Test**

You are formed as a corporation and your creation document, your Articles of Incorporation, fail to limit your purposes to those described in IRC Section 501(c)(3), as required by Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i). Your Bylaws contain the required provisions, but since you're a corporation, your Articles of Incorporation are your formation document, not your Bylaws. See Treas. Reg. Section 1.501(c)(3)-1(b)(2). Moreover, your assets are not dedicated to an exempt purpose in your formation document as required by Treas. Reg. Section 1.501(c)(3)-1(b)(4). Accordingly, you fail the organizational test under Section 501(c)(3).

### **Operational Test**

A substantial portion of your activities are devoted to non-exempt functions; therefore, you do not qualify for exemption under IRC Section 501(c)(3) as described in Treas. Reg. Section 1.501(c)(3)-1(c)(1). The provision of commercial-type leasing services to anyone interested, without condition or restriction, is not a charitable or educational activity within the meaning of Section 501(c)(3).

You plan on acquiring the C from E, a for-profit entity owned, in part, by one of your Directors. The financial projections you submitted appear to show you receiving public funds while the facility is still owned by E. You aren't described in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) because your fundraising efforts will benefit a for-profit entity.

As in Better Business Bureau of Washington, D.C., Inc., you are engaged in substantial nonexempt activities. You failed to describe how operating a facility with coworking areas, business offices, a grocery store, public market, and rooftop venue exclusively furthers exempt purposes.

While you indicated that you will hold educational events, you have not disclosed the percentage of time you will spend on these events. Additionally, you have not described any specific economic development programs. As stated in Universal Life Church, Inc., you have the burden of establishing that you qualify for tax exemption.

Similarly, in New Dynamics Foundation, it was found that an organization must establish, through its administrative record, that it meets the requirements for exemption. Because you failed to provide sufficient details in your initial application, and the additional information you provided did not meet the statutory and regulatory requirements for exemption, you have not established that you meet the requirements for exemption under Section 501(c)(3).

You are unlike the organization described in Rev. Rul. 74-587 which qualified for tax exemption under IRC Section 501(c)(3). That organization provided below cost loans and gave preference to businesses that employ residents. In contrast, you have not demonstrated that the businesses within your development will provide employment or other job assistance for residents. Leasing an office building to any interested business isn't, without more, an exempt purpose under Section 501(c)(3).

You are also unlike the organization described in Rev. Rul. 76-419 which qualified for tax exemption under IRC Section 501(c)(3) for developing an industrial park in an economically depressed area and requiring lessees to hire and train unemployed residents. In contrast, you failed to provide documentation that you will require lessees to hire and/or train residents.

You similar to the organization described in Rev. Rul. 77-111 because you also plan to construct a development with commercial tenants, including a grocery store and office spaces. Your activities are typical for-profit landlord-type activities rather than exclusively accomplishing IRC Section 501(c)(3) purposes. The information you provided doesn't allow the conclusion that the grocery store or office space are going to function exclusively for exempt purposes.

You are like the organization described in Korean American Senior Mutual Association which didn't qualify for exemption under IRC Section 501(c)(3). Like that organization, you do not exclusively serve a charitable class and you operate in a manner typical of a for-profit enterprise. Like that organization, you also have not provided enough information to document that you more than incidentally serve a charitable class.

Like the organization in B.S.W. Group, Inc., you also failed to demonstrate that you do not compete with commercial developments, which is "strong evidence of the predominance of nonexempt commercial purposes." You are also similar to the organization in Greater United Navajo Development Enterprises, Inc., which the Tax Court found had a primary commercial business purpose due to it leasing oil drilling equipment with no indication that the petitioner employed Navajos or was related to an exempt purpose. Likewise, you lease space within your building without demonstrating measures to assist the residents with employment or further any exempt purpose.

Like Airlie Foundation, your facility is in competition with for profit commercial buildings. Your space is available for lease by any individual or business. You said that residents will receive a reduced rent, but it's unclear how much of the space is leased to such individuals, what the criteria is to received reduced rent, or the amount of the reduction. You failed to demonstrate that your mixed-use redevelopment will exclusively serve exempt purposes under IRC Section 501(c)(3).

### **Your position**

You said your primary mission to address food insecurity by providing fresh produce to families in need. You said you understand the significant impact that access to nutritious food can have on a family's well-being, and you are determined to make a difference in your community. In addition to your food distribution efforts, you

offer monthly outreach services that include activities designed to nurture community connections and promote inclusivity. Your events will provide a safe space for families to connect, children to learn, and neighbors to support one another.

You said you've begun to establish strong partnerships with reputable local nonprofits, and other businesses within the neighborhood. These collaborations are vital in ensuring the success of your programs and maximizing your impact. By working together, you can create a supportive network that enhances the safety and educational opportunities for children and fosters a sense of unity among residents. As you continue to grow, you will gain more community engagement and create additional programming that address community needs.

Your goals are build around benefits you can provide to the residents of the neighborhood. All initiatives are aligned with the fundamental principals of community service and support. You have already had summer markets, regular community educational events, reduced fees for co-working space for residents and more.

### **Our response to your position**

Although you said your primary mission is to address food insecurity, based on the information you provided, it's not your primary activity. Providing for the needy is only incidental to your other activities, such as leasing office space to any interested party and a cooperative grocery store. Even if the facility is in an economically depressed area, without more, leasing and office space for any interested business or individual is a substantial non-exempt purpose. You have provided no details about how the cooperative grocery store would work or when that would begin. You do not restrict the leasing of the property to any particular group or demographic; rather, you are operating substantially for the non-exempt purpose of owning and managing a commercial property with only incidental charitable activities. Accordingly, as explained above, because you haven't demonstrated that you are operating exclusively for an exempt purpose as described in IRC Section 501(c)(3), you are not exempt.

### **Conclusion**

You fail both the organizational and operational tests under IRC Section 501(c)(3). Your organizing document doesn't limit your purposes to those described in Section 501(c)(3) and your assets aren't dedicated to exempt purposes upon your dissolution. You fail the operational test because your commercial-type facility leasing activities are substantial, further nonexempt purposes, and serve the private interests of a for-profit entity owned, in part, by one of your Directors. For all of these reasons, each one individually disqualifying, you do not qualify for 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