



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

Date:  
02/04/2026  
Employer ID number:

Form you must file:

Person to contact:

Release Number: 202618015  
Release Date: 5/1/26  
UIL Code: 501.04-00, 501.04-06

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](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

Date:  
12/15/2025  
Employer ID number:

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

**Legend:**

U = State  
V = Date  
W = Counties  
x dollars = dollar amount  
y percent = percentage

**UIL:**  
501.04-00  
501.04-06

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 incorporated in the State of U on V. Your filing receipt for your incorporation states you are a domestic not-for-profit corporation.

You are a membership organization formed to negotiate prices with local home heating suppliers for fuel products, including oil, kerosene, and propane, as well as discounts on service contracts and new equipment. Your membership is open to residents in the counties of W in the State of U.

Your members must submit applications during your open season on your website, which acts as a portal for the community to contract with home heating fuel providers. Once a community member registers on your website and pays the nominal fee of x dollars for the 2025-2026 season, you connect them with the heating fuel providers they need. You will waive the annual fee if the client cannot afford it. You want your community members to pay the least amount possible for their home heating fuel.

Individual households can take advantage of the negotiated prices, but each member signs an individual contract with the supplier and is responsible for payments to the supplier(s) they choose. Registered users must reapply annually in order to qualify for your negotiated pricing.

You are administered by a small group of unpaid volunteers who have no connection to the industry, and you have about        community members registered on your website. You hope to grow membership by y percent in 2026. None of your officers/directors have or may have any relationship with companies from which you negotiate prices on behalf of your membership for products, services, and equipment.

You help households in your community save on home heating costs through your negotiated prices. You strive to negotiate with the larger companies in your area that are required to have in-house service teams. You stated home heating suppliers in your area do not want to lose customers; therefore, they may match your negotiated prices for non-members, if asked. In addition, you want to educate your community about how to use less fossil fuels and are planning to negotiate group pricing for solar panels.

You estimate thirty percent of your time is spent on negotiations. Fifty percent of your time is spent on community outreach and education, including responding to inquiries from members and those interested in joining, and the remaining twenty percent of your time is spent running the organization's needs, including registering members on an annual basis.

All of your income comes from membership fees. You indicated that your revenue covers the costs of your expenses, including marketing endeavors to grow your organization, software costs, customer service expenses, subcontractors, and other incidentals. You intend to donate any excess funds to a local nonprofit organization that helps community members who are struggling with their home heating bills.

#### **Law**

IRC Section 501(c)(4) provides for the exemption from federal income tax of 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.

Revenue Ruling 54-394, 1954-2 C.B. 131, holds that a nonprofit community television antenna organization whose only activity was to provide television reception for its members was held not be exempt as a social welfare organization since the benefits were only available to their members who were not the community in general.

Rev. Rul. 62-167, 1962-2 C.B. 142, holds that a nonprofit organization formed to send TV signals to all area residents in an area where such signals would otherwise be unavailable qualifies under IRC Section 501(c)(4) since their activities benefit the community in general.

Rev. Rul. 66-148, 1966-1 C.B. 143, holds that a nonprofit organization formed to establish and maintain a system for the storage and distribution of water to its members only was granted exempt status even though the benefits of receiving the water was restricted to the membership. This ruling holds that the community, in general, benefited by an increase in the level of underground water.

Rev. Rul. 73-306, 1973-2 C.B. 179, holds that a nonprofit organization formed to protect the rights of tenants in one particular rental complex was denied exemption because the benefits were for a select group of individuals and not a benefit to the community in general.

Rev. Rul. 80-206, 1980-2 C.B. 185, holds that a nonprofit organization formed to protect the legal rights of all tenants in a particular community qualifies as a social welfare organization since the activities benefit the community in general.

In People's Educational Camp Society, Inc. v. Commissioner, 39 T.C. 756, 768 (1963), the Tax Court stated, with respect to the requirements for exemption from federal income tax under IRC Section 501(c)(4), that "both the pertinent Treasury regulation and judicial authority recognize that the existence of a primary or predominant purpose to yield benefit to the community as a whole is an essential prerequisite to the allowance of such statutory exemptions from tax."

In Vision Service Plan v. United States, 101 A.F.T.R.2d 2008-656 (9th Cir. 2008), reh'g. denied (Apr. 9, 2008), cert. denied, 129 S. Ct. 898, 173 L. Ed. 2d 107 (2009), the appellate court found that the plan benefited its subscribers rather than the general welfare of the community. The plan was not operated exclusively for the promotion of social welfare under IRC Section 501(c)(4) because it was not primarily engaged in promoting the common good and general welfare of the community. While the plan offered some public benefits, they're not enough to conclude that the plan primarily engaged in promoting the common good and general welfare of the community. The court stated that when an organization provides substantially different benefits to the public compared to its private members, it is not primarily devoted to social welfare, even though there may be aspects of the operations that greatly benefit society.

In Commissioner v. Lake Forest, Inc., 305 F.2d 814 (4th Cir. 1962), a corporation was organized by World War II veterans for the purpose of converting a government housing project to cooperative, nonprofit housing for its members. Individuals became members by purchasing an apartment unit and, as such, the number of members was limited to the number of units available. The court held it was not described in IRC Section 501(c)(4) because it was "a public-spirited but privately devoted endeavor that provided only incidental benefit to the community." The organization did not promote social welfare because it furnished housing only to a certain group of individuals and did not offer a service or program for the direct betterment or improvement of the community.

### **Application of law**

You are not described in IRC Section 501(c)(4) and Treas. Reg. Section 1.501(c)(4)-1(a)(1) because your activities do not primarily promote civic betterment or social welfare. Rather, you are primarily operating for the private

benefit of your members or their household and, therefore, do not qualify for exemption under Section 501(c)(4).

You do not meet the provisions of Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i). Although you may waive annual fees for residents unable to pay during a heating season, a substantial part of your membership is still required to pay fees, and only your members and their households receive a direct benefit for said fees. Also, while you stated local home heating suppliers may, if asked, match your negotiated prices for non-members, these residents are not direct recipients of your members-only benefits. As a result, your activities are conducted too narrowly to further the common good and general welfare of the community, precluding exemption under IRC Section 501(c)(4).

You are similar to the organization denied exemption in Rev. Rul. 54-394 that provided television reception on a cooperative basis to its paying members, as you negotiate to provide products, services, and equipment to your fee-paying members only. You are also dissimilar to the organization in Rev. Rul. 62-167, which formed to send television signals to all residents living in an area not adaptable to ordinary reception and collected voluntary contributions. By contrast, you negotiate for lower prices and discounts on products and services already available in the community for your fee-paying members only.

You are unlike the organization in Rev. 66-148 that provided services only for members, but the community, in general, also benefited by an increase in the level of underground water. Conversely, your members may save money on home heating costs, but again, this is limited to fee-paying members only, without a definitive and direct benefit to the whole community.

You are similar to the organization denied exemption in Rev. Rul. 73-306, since your benefits are limited to residents in specific counties who register seasonally on your website and pay fees; this is in direct contrast to the organization in Rev. Rul. 80-206 that protected the legal rights of all tenants in a particular community. Unlike that organization, your benefits are, again, limited; therefore, not all community residents directly receive the benefits, precluding exemption under IRC Section 501(c)(4).

Under Vision Service Plan, a vision plan was held to benefit its subscribers rather than the general welfare of the community; thus, the plan was not operated exclusively for the promotion of social welfare under IRC Section 501(c)(4). The plan provided substantially different benefits to the public compared to its members. Exceptions to this requirement, such as waiving fees for certain residents or the potential for competitors' price-matching for non-residents, are insubstantial to the fact that you formed to provide substantially different benefits for your members than the community in general, precluding exemption under Section 501(c)(4).

This concept is also present in People's Educational Camp Society, Inc., where it is recognized that the existence of a primary or predominant purpose to yield benefits to the community as whole is an essential prerequisite to the allowance of such statutory exemptions from tax. Indirect benefits bestowed upon a community from direct benefits provided to a limited group does not exclusively further social welfare purposes under IRC Section 501(c)(4). You want to educate the community, negotiate group pricing for solar panels, waive fees for those clients that cannot afford it, and donate any excess funds to a local nonprofit organization, but the substantial part your activities benefit your members or their household from who you receive fees. Thus, any benefit here to the community as a whole is minor and incidental to your activities, and you are not bringing about civic betterments and social improvements as required for exemption under Section 501(c)(4).

Similar to the organization in Lake Forest, Inc., you do not promote social welfare, even if some of your members-only benefits rebound incidentally to the community. The size of your membership is also not controlling on whether your activities are ‘civic’ or ‘social’. Your website is akin to a convenience economy for fee-paying members; you don’t ensure a basic utility, otherwise unavailable or substantially unaffordable, is provided to all residents. Local home heating fuel providers may price match, if asked, based on your operations; at best, this is an indirect benefit for non-members. Further, your other activities – educating the community, negotiating group pricing for solar panels, and donating excess funds to local nonprofits – are secondary to your primary purpose of providing fee-paying members with lower prices and discounts on home heating fuel products, services, and equipment.

### **Conclusion**

Based on the information provided, we conclude that you are not described in IRC Section 501(c)(4). You were not formed for an overall community benefit or for social welfare purposes but rather to provide services to your members. Accordingly, you do not qualify for recognition of exemption under 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](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