



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

Date:
04/14/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202628010
Release Date: 7/10/26
UIL Code: 501.03-00, 501.03-05, 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.

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:
02/25/2026
Employer ID number:

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

Legend:

B = Date
C = State
D = Continent
E = Country
F = Standards

UIL:

501.03-00
501.03-05
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 formed on B in the state of C. You state your purpose is to provide business leadership, guidance, technical assistance and management and business resources. You educate, inspire, plan, and implement business initiatives that are impactful and uplifting in support of the underserved.

It is your intention to help various D entities implement the following: agriculture and agribusiness development, infrastructure development, manufacturing and industrialization projects, mining projects, information and communication technology development, tourism, culture, and entertainment projects, health and pharmaceutical projects, education and skill development projects, financial services projects, real estate and urban development projects, and environmental sustainability projects.

Your initial focus is on agribusiness development. The consulting process includes but is not limited to the following steps:

1. Identify and assess key D stakeholders in terms of their business plan capacity, resources, assets, structure, readiness

2. Gather project details, market facts, pricing and cost information, collect product samples, collaborate with stakeholders, participate in ideation sessions, emphasizes product focus, establish scope and magnitude of order, conclude management and skill assessments.
3. Develop comprehensive list of tasks and deliverables and assign responsibilities
4. Facilitate nutritional analysis and other ingredient testing, conclude supply chain evaluations
5. Summarize status and projected future, if the project worthy of commercial interest
6. Generate E stakeholder interest considering colleges, equipment manufacturers, food processors, functional experts, food labs, major distributors etc.
7. Summarize status and findings, start the process of building a business model
8. Host and facilitate negotiations concerning partnerships, joint ventures and other agreements such as management and employee contracts.
9. Summarize status, finalize business modeling facilitate funding efforts and legal arrangements.

You will organize the required technical resources, build an entrepreneurial team, facilitate partnering, participate in the fund raising and investment modelling and develop and implement the business plan. Throughout the development process you will function in various roles. For example, advisor, functional expert, consultant, teacher, source for volunteer support, advocate, project manager, intermediary.

You intend to charge a consultation fee for your services. The price of your services is negotiated with your stakeholder/partner/client and takes into consideration scope, order of magnitude, type of service; duration, service location and other factors such as current overhead, competition, support services, and passthrough costs. Charges can be expressed in hourly rates, day rates, fix price, cost plus, time and materials, incentive/performance valued based on pricing or a hybrid of retainer plus cost arrangements. Fixed price turnkey solutions include indirect and indirect costs, overhead calculations, contingent provisions, and addition of profit margin. Pricing or compensation from government sources for goods and services will conform to F pricing requirements, agency regulations and market conditions.

Product formulation, food fortification, packaging and distributions processes and licensing compliances are properly documented and facilitated for the benefit of your stakeholders/clients. Those deliverables are the property of the stakeholders and not yours. Fees associated with technical services will be competitively priced within the functional expert arena for the given expertise and location. You provide technical services, but the client is the recipient and owner of the intellectual property. You will observe and comply with host country's regulations concerning the development of intellectual property for the benefit of stakeholders. How stakeholders use or charge others for access to their intellectual property is not under your purview. You will encourage compliance with local laws and regulation and provide economic guidance.

You will seek projects that are or can become worthy of commercial consideration. You will invest in the development of information using private funds, grants, in-kind services, and volunteers and payments from your stakeholder/clients for deal development. Your intent is to invest enough to build an attractive proposal then market or facilitate implementation of the proposal, whichever is required.

You state that you will be funded by your founders, family, friends, concerned individuals, and stakeholder purchase of consulting fees. Your expenses include salaries and wages, trips to foreign countries, fundraising expenses, shipping of samples, loan payments, professional fees, occupancy, depreciation, internet, and website fees.

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(e) provides that an organization which is organized and operated for the primary purpose of carrying on an unrelated trade or business is not exempt under IRC Section 501(c)(3), even though its net profits do not inure to the benefit of individual members of the organization.

Treas. Reg. Section 1.501(c)(3)-1(e)(1) provides that an organization may meet the requirements of IRC Section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business, as defined in Section 513.

Revenue Ruling 72-369, 1972-2 C.B.245, held that an organization formed to provide managerial and consulting services at cost to unrelated exempt organizations does not qualify for exemption under IRC Section 501(c)(3). Importantly, an organization is not exempt merely because its operations are not conducted for the purpose of producing a profit.

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

In B.S.W. Group, Inc. v. Commissioner, 70 T.C. 352 (1978), the Tax Court determined that an organization that sold consulting services to nonprofit and exempt organizations interested in rural-related policy and program development operated a trade or business ordinarily carried on for profit. The burden rested on petitioner to prove that it did not operate "a consulting business of the sort which is ordinarily carried on by commercial ventures organized for profit." The court stated that "competition with commercial firms is strong evidence of the predominance of nonexempt commercial purposes." Accordingly, the court determined the petitioner "completely failed to demonstrate that its own services, or the services provided by its consultants, [were] not in competition with commercial businesses such as personnel agencies, consulting referral services, real estate agents, housing rental services, banks, loan companies, trash disposal firms, or environmental consulting companies." In addition, the court found that the organization's financing did not resemble that of the typical 501(c)(3) organizations. It had not solicited, nor had it received, voluntary contributions from the public. Its only source of income was from fees from services, and those fees were set high enough to recoup all projected

costs and to produce a profit. Moreover, it did not appear that the corporation ever planned to charge a fee less than "cost." And finally, the corporation did not limit its clientele to organizations that were section 501(c)(3) exempt organizations.

In Airlie Foundation v. Commissioner, 283 F. Supp. 2d 58 (D.D.C., 2003), the court relied on the 'commerciality' doctrine in applying the operational test under IRC Section 501(c)(3). Because of the commercial manner in which the organization conducted its activities, the court found that it was operated for a non-exempt commercial purpose, rather than for a tax-exempt purpose. The case noted that among the major factors that courts have considered in assessing commerciality are competition with for-profit entities, pricing policies, the extent and degree of below cost services provided and the reasonableness of financial reserves. Additional factors include whether the organization uses commercial promotional methods (e.g., advertising) and the extent to which the organization receives charitable donations.

Application of law

A ruling on exempt status is based solely on facts and representations in the administrative file. You have not provided supporting documentation to establish you meet the requirements of IRC Section 501(c)(3). 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).

You do not meet the operational test under IRC Section 501(c)(3) because you are not operating exclusively for exempt purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). You provide consulting services for a fee and produce intellectual property for your stakeholders. Although portions of these activities may ultimately further some Section 501(c)(3) purposes, overall, these activities serve substantial non-exempt commercial purposes.

You are like the organization described in Rev. Rul. 72-369. You provide consulting services to for-profit businesses. You do not select businesses that are furthering IRC Section 501(c)(3) purposes, and you charge fees that are comparable to those charged by for-profit consulting businesses. As noted in the ruling, providing these consulting services on a regular basis for a fee is a trade or business ordinarily carried on for profit. The nature of your services, and your fee structure, is not sufficient to characterize your activities as charitable.

Treas. Reg. Section 1.501(c)(3)-1(e) provides that an organization which is organized and operated for the primary purpose of operating an unrelated trade or business is not exempt under IRC Section 501(c)(3). Treas. Reg. Section 1.501(c)(3)-1(e)(1) also provides that an organization may be recognized as tax-exempt even though it operates a trade or business as a substantial part of its activities if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes. Similar to the organizations described in B.S.W. Group, Inc., and Airlie Foundation your activities are commercial in nature and directly compete with similar for-profit businesses. While some educational benefits may be conferred to your clients as a result of your consulting services, these benefits are insubstantial. The totality of your activities is more indicative of a commercial business than that of an educational organization. Your consulting services are considered an unrelated trade or business ordinarily carried on by commercial ventures since these services are not exclusively furthering an acceptable Section 501(c)(3) exempt purpose. Because these activities further a substantial non-exempt purpose, as described in Better Business Bureau, you do not qualify for exemption under IRC Section 501(c)(3).

Conclusion

Based on the information submitted, you do not meet the requirements for tax exemption under IRC Section 501(c)(3). You do not meet the operational test because you operate for a commercial non-exempt purpose. Therefore, 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 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