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

[redacted]

Release Number: 202629022
Release Date: 7/17/26
UIL Code: 501.03-00

Date:
[redacted]
Taxpayer ID number (last 4 digits):
[redacted]
Form:
[redacted]
Tax periods ended:
[redacted]
Person to contact:
Name: [redacted]
ID number: [redacted]
Telephone: [redacted]
Fax: [redacted]
Last day to file petition with United States Tax Court:
[redacted]

CERTIFIED MAIL - Return Receipt Requested

Dear [redacted]:

Why we are sending you this letter

This is a 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), effective [redacted]. Your determination letter dated [redacted], is revoked.

Our adverse determination as to your exempt status was made for the following reasons: You have not demonstrated that you are operated exclusively for exempt purposes within the meaning of section 501(c)(3). Our review shows that you are structured to serve the private interests of your members, which fails to meet the organizational requirements under § 501(c)(3). Federal tax law mandates that exempt organizations be organized and operated exclusively for purposes described in Internal Revenue Code Section 501(c)(3).

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms and information please visit **IRS.gov**.

What you must do if you disagree with this determination

If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

How to file your action for declaratory judgment

If you decide to contest this determination, you can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. You can download a fillable petition or complaint form and get information about filing at each respective court's website listed below or by contacting the Office of the Clerk of the Court at one of the addresses below. Be sure to include a copy of this letter and any attachments and the applicable filing fee with the petition or complaint.

You can eFile your completed U.S. Tax Court petition by following the instructions and user guides available on the Tax Court website at **ustaxcourt.gov/dawson.html**. You will need to register for a DAWSON account to do so. You may also file your petition at the address below:

United States Tax Court
400 Second Street, NW
Washington, DC 20217
ustaxcourt.gov

The websites of the U.S. Court of Federal Claims and the U.S. District Court for the District of Columbia contain instructions about how to file your completed complaint electronically. You may also file your complaint at one of the addresses below:

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439
uscfc.uscourts.gov

US District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, DC 20001
dcd.uscourts.gov

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS or if you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Visit **TaxpayerAdvocate.IRS.gov/contact-us** or call 877-777-4778 (TTY/TDD 800-829-4059) to find the location and phone number of your local advocate. Learn more about TAS and your rights under the Taxpayer Bill of Rights at **TaxpayerAdvocate.IRS.gov**. Do not send your Tax Court petition to TAS. Use the Tax Court address provided earlier in the letter. Contacting TAS does not extend the time to file a petition.

Where you can find more information
Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.

Find tax forms or publications by visiting **IRS.gov/forms** or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

You may fax your documents to the fax number shown above, using either a fax machine or online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies.

Keep the original letter for your records.

Sincerely,

[redacted]

Lynn A. Brinkley
Director, Exempt Organizations Examinations

Enclosures:
Publication 1
Publication 594
Publication 892

Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
Exempt Organizations Examinations
[redacted]

[redacted]

Date:
[redacted]
Taxpayer ID number:
[redacted]
Form:
[redacted]
Tax periods ended:
[redacted]
Person to contact:
Name: [redacted]
ID number: [redacted]
Telephone: [redacted]
Fax: [redacted]
Address: [redacted]
Manager's cont[redacted]
Name: [redacted]
ID number: [redacted]
Telephone: [redacted]
Response due date:
[redacted]

CERTIFIED MAIL – Return Receipt Requested

Dear [redacted]:

Why you're receiving this letter

We enclosed a copy of our audit report, Form 886-A, Explanation of Items, explaining that we propose to revoke your tax-exempt status as an organization described in Internal Revenue Code (IRC) Section 501(c)(3).

If you agree

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(3) for the periods above.

If you disagree

1. Request a meeting or telephone conference with the manager shown at the top of this letter,

2. Send any information you want us to consider.

3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

   The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

   Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

If we don't hear from you
If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final adverse determination letter.

Contacting the Taxpayer Advocate Office is a taxpayer right
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 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.

Additional information
You can get any of 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 shown at the top of this letter.

Sincerely,

[redacted]

FOR: [redacted]
Lynn A. Brinkley
Director, Exempt Organizations Examination

Enclosures:
Form 6018
Form 886-A
Publication 1
Publication 892
Publication 3498

Form 886-A (May 2017)	Department of the Treasury - Internal Revenue Service **Explanation of Items**	Schedule number or exhibit
Name of taxpayer [redacted]	Tax Identification Number *(last 4 digits)* [redacted]	Year/Period ended [redacted]

ISSUE:

Was [redacted] operated exclusively for exempt purposes described within Internal Revenue Code § 501(c)(3)?

Was [redacted] engaged primarily in activities described within Internal Revenue Code § 501(c)(3) that accomplished an exempt purpose?

Was more than an insubstantial part of [redacted] activities in furtherance of a non-exempt purpose described within Internal Revenue Code§ 501(c)(3)?

Was [redacted] operated for the purpose of serving a private benefit rather than public interests?

FACTS:

[redacted] (Taxpayer) was incorporated in [redacted], in [redacted], [redacted]. The taxpayer was recognized as a tax-exempt organization under Internal Revenue Code (IRC) Section (§) 501(c)(3) in [redacted] of [redacted]. The taxpayer is classified with public charity status as described under IRC § 509(a)(2).

According to the Taxpayer's Articles of Association, the organization's object is [redacted]. The taxpayer's Articles of Association do not include the required dissolution clause that guarantees assets are dedicated to an exempt purpose in the event of dissolution, per requirements under Treasury Regulation 1.501(c)(3)-1(b)(4).

On [redacted], the Taxpayer filed Form 8868 for extension of time to file Form 990 for tax year ended [redacted]. The Taxpayer timely filed Form 990 for tax year ended [redacted], on [redacted].

On the Taxpayer's Form 990 return in tax year ended [redacted], the mission and primary activities include [redacted]. In addition, Part III of the Taxpayer's statement of program service accomplishment reported that an expense of [redacted] program service was on "[redacted]." In Part IX, Line 24e, the Taxpayer reported Other Expenses of Member Events in the amount of [redacted]. In Part VIII, line 1b, the Taxpayer did not report membership dues on the statement of revenue.

Schedule G disclosed that the Taxpayer conducted special fundraising events and gaming activities during the year. In the Taxpayer's Schedule G, Part III, line 11, the Taxpayer responded "no" to the question "Does the organization conduct gaming activities with nonmembers."

Form **886-A** (May 2017)	Department of the Treasury - Internal Revenue Service **Explanation of Items**	Schedule number or exhibit
Name of taxpayer [redacted]	Tax Identification Number *(last 4 digits)* [redacted]	Year/Period ended [redacted]

The Taxpayer submitted their Constitution and Bylaws in the information document request #1 that was presented on [redacted]. On pages [redacted] of the Constitution and Bylaws, the Taxpayer published information about membership vacancy, membership rules, voting quorum, and membership dues.

On [redacted], the Revenue Agent (RA) conducted a field examination with the President and Taxpayer's representative. The RA observed that the Taxpayer:

- Operates a full-service kitchen and bar serving both food and beverages,
- Publicized posters of fundraiser in the facility for [redacted],
- Conducts gaming activities, including lottery and KENO,
- Tracks member and non-member attendance at a sign-in podium.
- Provides daily access to recreational facilities, including bar, billiards and pool tables for both members and non-members from [redacted], and
- Hosts annual social events, fundraising events, tournaments, and banquet hall in event hall space located in the basement.

During the initial interview, the Taxpayer's representative stated the following:

- The Taxpayer's primary purpose is [redacted], primarily for [redacted] who fundraises for community causes. The organization was initially made for members to [redacted]
- The Taxpayer conducts gaming, including lottery and Keno, through the [redacted] State Lottery, and that income is earned when the organization cashes out cash prize winnings for members, and collects a percentage of the winnings from the State.
- The Taxpayer conducts fundraising events; some were conducted annually, which both members and non-members can attend these events.
- The Taxpayer has a vacancy of [redacted] members that offers both social and full memberships. Social memberships have no voting rights and costs [redacted] annually, and full memberships have voting rights and costs [redacted] annually.

Name of taxpayer	Tax Identification Number (*last 4 digits*)	Year/Period ended
[redacted]	[redacted]	[redacted]

LAW:

Internal Revenue Code § 501(c)(3)
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, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Treasury Regulation § 1.501(c)(3)–1 Organizations organized and operated for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals.

(a) Organizational and operational tests.

(1) In order to be exempt as an organization described in 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.

(2) The term exempt purpose or purposes, as used in this section, means any purpose or purposes specified in section 501(c)(3), as defined and elaborated in paragraph (d) of this section.

(b) Organizational test—

(1) In general.

(i) An organization is organized exclusively for one or more exempt purposes only if its articles of organization (referred to in this section as its articles) as defined in subparagraph (2) of this paragraph:

(a) Limit the purposes of such organization to one or more exempt purposes; and
(b) Do not expressly empower the organization 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.

(ii) In meeting the organizational test, the organization's purposes, as stated in its articles, may be as broad as, or more specific than, the purposes stated in section 501(c)(3). Therefore, an organization which, by the terms of its articles, is formed for literary and scientific purposes within the meaning of Section 501(c)(3) of the Code shall, if it otherwise meets the requirements in this paragraph, be considered to have met the organizational test. Similarly, articles stating that the organization is created solely to receive contributions and pay them over to organizations which are described in Section 501(c)(3) and exempt from taxation under Section 501(a) are sufficient for purposes of the organizational test. Moreover, it is sufficient if the articles set for the purpose of the organization to be the operation of a school for adult education and describe in detail the manner of the operation of such school. In addition, if the articles state that the organization is formed for charitable purposes, such articles ordinarily shall be sufficient for purposes of the organizational test (see subparagraph (5) of this paragraph for rules relating to construction of terms).

(iii) An organization is not organized exclusively for one or more exempt purposes if its articles expressly empower it to carry on, otherwise than as an insubstantial part of its activities, activities which are not in furtherance of one or more exempt purposes, even though such organization is, by the terms of such articles, created for a purpose that is no broader than the purposes specified in Section 501(c)(3). Thus, an organization that is empowered by its articles to engage in a manufacturing business, or to engage in the operation of a social club does not meet the organizational test regardless of the fact that its articles may state that such organization is created for charitable purposes within the meaning of Section 501(c)(3) of the Code.

(iv) In no case shall an organization be considered to be organized exclusively for one or more exempt purposes, if, by the terms of its articles, the purposes for which such organization is created are broader than the purposes specified in Section 501(c)(3). The fact that the actual operations of such an organization have been exclusively in furtherance of one or more exempt purposes shall not be sufficient to permit the organization to meet the organizational test. Similarly, such an organization will not meet the organizational test as a result of statements or other evidence that the members thereof intend to operate only in furtherance of one or more exempt purposes.

(v) An organization must, in order to establish its exemption, submit a detailed statement of its proposed activities with and as a part of its application for exemption (see paragraph (b) of §1.501(a)–1).

(2) Articles of organization. For purposes of this section, 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.

(4) Distribution of assets on dissolution. 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 by operation of law, be distributed for one or more exempt purposes, or to the Federal Government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

(c) Operational test—

(1) Primary activities. 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.

(2) Distribution of earnings. An organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. For the definition of the words private shareholder or individual, see paragraph (c) of § 1.501(a)–1.

(d) Exempt purposes —

(1) In general.

(i) An organization may be exempt as an organization described in Section 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes:

a. Religious,
b. Charitable,
c. Scientific,
d. Testing for public safety,
e. Literary,
f. Educational, or
g. Prevention of cruelty to children or animals.

(ii) An organization is not organized or operated exclusively for one or more of the purposes specified in subdivision (i) of this subparagraph unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, it is necessary for an organization to 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.

(2) Charitable defined. The term charitable is used in Section 501(c)(3) in its generally accepted legal sense and is, therefore, not to be construed as limited by the separate enumeration in Section 501(c)(3) of other tax-exempt purposes which may fall within the broad outlines of charity as developed by judicial decisions. Such term includes: 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, or

(i) to lessen neighborhood tensions;
(ii) to eliminate prejudice and discrimination;
(iii) to defend human and civil rights secured by law; or
(iv) to combat community deterioration and juvenile delinquency. The fact that an organization which is organized and operated for the relief of indigent persons may receive voluntary contributions from the persons intended to be relieved will not necessarily prevent such organization from being exempt as an organization organized and operated exclusively for charitable purposes. The fact that an organization, in carrying out its primary purpose, advocates social or civic changes or presents opinion on controversial issues with the intention of molding public opinion or creating public sentiment to an acceptance of its views does not preclude such organization from qualifying under Section 501(c)(3) so long as it is not an action organization of any one of the types described in paragraph (c)(3) of this section.

Rev. Rul. 66- 179, 1966-1 C.B. 139 describes situations under which garden clubs may qualify for exemption under section 501 of the Code.
Situation 1 describes an organization that is incorporated as a nonprofit organization to instruct the public on horticultural subjects and stimulating interest in the
beautification of the geographic area. In furtherance of these purposes, the organization (1) maintains and operates a free library of materials on horticulture and allied subjects; (2) instructs the public on correct gardening procedures and conservation of trees and plants by means of radio, television, and lecture programs; (3) holds public flower shows of a noncommercial nature at which new varieties of plants and flowers are exhibited; (4) makes awards to children for achievements in gardening; (5) encourages roadside beautification and civic planting; and (6) makes awards for civic achievement in conservation and horticulture.
Situation 2 described an organization with the same facts as described in Situation 1 except that a substantial part of the organization's activities, but not its primary activity, consists of social functions for the benefit, pleasure, and recreation of its members.

Name of taxpayer	Tax Identification Number *(last 4 digits)*	Year/Period ended
[redacted]	[redacted]	[redacted]

The organization in Situation 1 is organized and operated exclusively for charitable and educational purposes and qualifies for exemption under Section 501(c)(3) of the Code.
The facts in Situation 2 are distinguishable from those in Situation 1 in that the organization in Situation 2 conducts substantial social functions not in furtherance of any of the purposes specified in Section 501(c)(3). Accordingly, the organization does not qualify for exemption under Section 501(c)(3). However, because the organization is operated primarily to bring about civic betterment and social improvements and the social functions for the benefit, pleasure and recreation of the members do not constitute its primary activity, the organization qualifies for exemption under Section 501(c)(4).

Rev. Rul. 77-366, 1977-2 C.B. 192 states that a nonprofit organization that arranges and conducts wintertime ocean cruises during which activities to further religious and educational purposes are provided in addition to extensive social and recreational activities is not operated exclusively for exempt purposes and does not qualify for exemption under Section 501(c)(3) of the Code.

Rev. Rul. 69-279, 1969-1 C.B. 152, an irrevocable inter vivos trust, which provides that a fixed percentage of the income must be paid annually to the settlor with the balance of the income to charity does not qualify for exemption under Section 501(c)(3) of the Code. Under the terms of the trust instrument a percentage of the trust's income must be paid to the settlor. Thus, the trust is organized and is operated for two purposes-to benefit the settlor and to benefit charity. The trust therefore is not organized and operated exclusively for charitable purposes. Rather, it is organized and operated, in part, for the benefit of the private interest of the settlor and a part of the trust's earnings is inuring to the benefit of a private individual.

Rev. Rul. 69-256, 1969-1 C.B. 151, A testamentary trust established to make annual payments to exempt charitable organizations and to use a fixed sum from annual income for the perpetual care of the testator's burial lot is not exempt under Section 501(c)(3) of the Code. Advice has been requested whether the trust described below is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1954. A testamentary trust was established to make annual payments to charitable organizations exempt from Federal income tax under Section 501(c)(3) of the Code and to use a fixed sum from its annual income for the perpetual care of the testator's burial lot. Section 501(c)(3) of the Code provides for the exemption of organizations organized and operated exclusively for charitable purposes, no part of the net earnings of which insures to the benefit of any private shareholder or individual. Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Accordingly, the trust is not exempt from Federal income tax under Section 501(c)(3) of the Code. However, see section 642(c) of the Code for the provisions regarding a deduction by the trust in computing it gross income, for amounts paid or permanently set aside for a charitable purpose.

In First Libertarian Church v. Commissioner Internal Revenue, 74 T.C. 396 (1980), the court stated that the church failed to show that it successfully segregated the clearly social and political aspects of its supper club meetings and its publication from its purpose to further the doctrine of ethical egoism. As the church operated for social and political purposes to more than an insubstantial degree, it fails to qualify for exemption under Section 501(c)(3) of the Code. The court stated that an organization will not qualify for exemption if a nonexempt activity is more than an insubstantial part of its overall activities or if an activity has more than an insubstantial non-exempt purpose. The court explained that "clearly the regulations and cases contemplate that a single activity may be carried on for more than one purpose. If a substantial secondary purpose is not an exempt one, qualification under Section 501(c)(3) will be denied."

In Schoger Foundation v. Commissioner, 76 T.C. 380 (1981), it was held that if an activity serves a substantial non-exempt purpose, the organization does not qualify for exemption even if the activity also furthers an exempt purpose.

In Church by Mail, Inc. v. Commissioner of Internal Revenue, 765 F2d 1387 (9th Cir. 1985), tax court upheld the Commissioner's determination, holding that (1) the Church was operated for the non-exempt purpose of providing a market for Twentieth's services, and (2) a substantial, if not principal, purpose of the Church's operations was to generate income for the private benefit of Reverend Ewing and Reverend McElrath and their respective families.

In St. Louis Science Fiction Limited v. Commissioner, 49 TCM 1126, 1985-162, the Tax Court held that a science fiction society failed to qualify for tax-exempt status under Section 501(c)(3) of the Code. Although many of the organization's functions at its annual conventions (the organization's principal activity) were educational, its overall agenda was not exclusively educational. A substantial portion of convention affairs were social and recreational in nature.

TAXPAYER'S POSITION:

The Taxpayer has not provided a position statement at this time.

Form **886-A** (May 2017)	Department of the Treasury - Internal Revenue Service **Explanation of Items**	Schedule number or exhibit
Name of taxpayer [redacted]	Tax Identification Number *(last 4 digits)* [redacted]	Year/Period ended [redacted]

GOVERNMENT'S POSITION:

IRC Section 501(c)(3) states that 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 will not qualify for tax exempt status under IRC § 501(c)(3).

Treasury Regulation 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 limit its purposes to one or more exempt purposes and do not expressly empower it to engage, otherwise than as an insubstantial part, in activities which in themselves are not in furtherance of one or more exempt purposes. An organization is not organized exclusively for one or more exempt purposes if its articles expressly empower it to carry on, other than as an insubstantial part, activities which are not in furtherance of one or more exempt purposes, even though such organization is, by the terms of such articles, created for a purpose that is no broader than the purposes specified in Section 501(c)(3). Thus, an organization that is empowered by its articles "to engage in a manufacturing business" or "to engage in the operation of a social club" does not meet the organizational test, although its articles may state that the organization is created "for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code."

Treasury Regulation 1.501(c)(3)-1(b)(4) requires that an organization must add an adequate dissolution provision where its articles or the law of the State in which it was created that its assets would, upon dissolution, be distributed to its members or shareholders. This code section requires that the assets must be dedicated to an exempt "purpose." Since a named beneficiary at the time of dissolution may not be qualified, may not be in existence, or may be unwilling or unable to accept the assets of the dissolving organization the articles should be amended to provide for distribution of the assets for one or more of the purposes specified in IRC § 501(c)(3) in the event of any such contingency.

The Taxpayer's Articles of Association purposes read [redacted] The Taxpayer's purposes indicates that their activities are not exclusively charitable or educational. These terms suggest that the Taxpayer is structured to serve the private interests of its members or a specific group, which fails to meet the organizational requirements under § 501(c)(3). Furthermore, the Articles of Association lack the required dissolution clause, meaning there is no legal assurance that the Taxpayer's assets will be distributed for § 501(c)(3) purposes if the organization is dissolved, which fails to meet the organizational test requirements under Section 501(c)(3)-1(b)(4). Therefore, the Taxpayer does not qualify for tax exemption status described under IRC Section 501(c)(3).

Treasury Regulations 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 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.

Treasury Regulations 1.501(c)(3)-1(c)(2) states that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Taxpayer's operations during tax year ended [redacted], demonstrate that Taxpayer substantially engages in activities that do not further charitable, educational, or literary purposes described under IRC Section 501(c)(3).

Taxpayer's substantial activities include:

- Operating a fully functioning kitchen and bar serving both food and beverages, accessible daily from [redacted],
- Providing recreational facilities such as billiards and pool tables to members and non-members,
- Conducting gaming, including lottery and Keno,
- Hosting member-exclusive social events and tournaments,
- Facilitating fundraising events that does not further charitable or public benefit, and
- Failing to report membership dues as revenue on Form 990.

The Taxpayer's program expenses on Form 990 reported a total amount of [redacted] and were described as being used to "[redacted]." The Taxpayer's description of program expenses; along with the associated substantial activities; demonstrate that services are provided to a limited class of individuals - its members - rather than the public. Although the Taxpayer may carry on activities that further one or more tax-exempt purposes, it will not be treated as operated exclusively for an exempt purpose if it has a single non-charitable purpose that is substantial in nature. The Taxpayer's records and examination results shows that a substantial portion of the organization's activities are recreational, social, and benefits members, which does not meet the requirement that the organization must operate exclusively for exempt purposes. The failure to report membership dues further indicates noncompliance with Form 990 reporting requirements.

For the reasons stated above, while the Taxpayer does conduct some activities and serve some purposes that are exempt under Section 50l(c)(3), the Taxpayer also serves more than an insubstantial purpose that does not qualify under Section 50l(c)(3), therefore the Taxpayer does not qualify for tax exemption status under IRC Section 501(c)(3).

Form **886-A** (May 2017)	Department of the Treasury - Internal Revenue Service **Explanation of Items**	Schedule number or exhibit
Name of taxpayer [redacted]	Tax Identification Number *(last 4 digits)* [redacted]	Year/Period ended [redacted]

CONCLUSION:

Based on the facts and circumstances presented, the Taxpayer does not qualify for tax exemption status under IRC section 501(c)(3).

1. Taxpayer was not operated exclusively for exempt purposes because it did not engage primarily in activities which accomplish an exempt purpose as explained in IRC Section 501(c)(3).

2. Taxpayer failed to meet the organizational test due to the non-charitable purposes listed in Articles of Association and does not include the required dissolution clause.

3. More than an insubstantial part of the activities of the Taxpayer were not in furtherance of an exempt purpose. Taxpayer's operations are not exclusively charitable or educational and resemble those of a social club. Therefore, the Taxpayer does not qualify for tax exempt status described in IRC Section 501(c)(3).

4. Finally, the Taxpayer was operated for the purpose of serving the private benefit of its members. The Taxpayer fails to meet the operational test, due to a substantial portion of its activities being social and recreational purposes, that primarily benefit members, rather than a public charitable or educational purpose.

For these reasons, we have determined that the organization does not meet the requirements of IRC Code Section 501(c)(3), the [redacted] should have its tax-exemption revoked.