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

Date:
04/27/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202630015
Release Date: 7/24/26
UIL Code: 501.03-00, 501.33-00

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

Date:
02/24/2026
Employer ID number:

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

UIL:
501.03-00
501.33-00

Legend:
B = Date
C = State
D = Organization
E = Position
F = Animal Related
G = Number
H = City, State
x dollars = dollar amount

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 on B in the state of C. You were formed to provide grants to local youth, who demonstrate a financial need and are potential customers of D, to pay for F-assisted coaching services with the goal of improving the youth's mental health. D, which is owned by your E, operates as a traditional for-profit business by providing mental wellness services for cost, typically based on an hourly service rate. You work exclusively with D, and grant recipients may not use the grants at any other entity for mental health services.

Once an applicant is selected by you, the appropriate amount of money will be debited from your funds directly to D as payment for the applicant's/client's expenses at D. The total amount of the grant will be x dollars, which is slightly under fair market value of what D normally charges in order to be able to offer as many grants as possible. Grants are awarded on a monthly basis, and the number of grants given will vary based on available funds at the time of recipient selection.

Each individual recipient receives a voucher for three (3) 60-minute F-assisted coaching sessions with the facilitators of D. You require recipients to schedule and complete their three individual sessions within 90 days of receiving the grant. Program participants who fail to do so, or who do not reasonably comply with D's cancellation or rescheduling policy, will forfeit the affected sessions and will be barred from reapplying in the future.

The following is your criteria for applicants:

- Must be under G years old,
- Reside in or reasonably be able to commute to H,
- Be able to provide proof of established enrollment in social or welfare assistance from a government agency, and
- Fill out an application on your website.

The primary benefit D will receive from partnering with you is that more clients will be able to access its services, thereby building its clientele base and increasing community trust and awareness of the D brand. You publicize your program through word of mouth, your website, printed and digital flyers, social media posts, and at your fundraising events. Your income is received from crowdsourcing and donations. You have no paid employees.

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(c)(2) provides 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.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for one or more exempt purposes described in IRC Section 501(c)(3) unless it serves a public rather than a private interest. Thus, 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.

Treas. Reg. Section 1.501(c)(3)-1(d)(iii)(Example 2) provides that an art museum whose principal activity is exhibiting art created by a group of unknown but promising local artists, where all of the art exhibited is offered for sale at prices set by the artist, and the artist receives 90 percent of the sales price, substantially serves private interests, and does not qualify for IRC Section 501(c)(3).

Revenue Ruling 76-206, 1976-1 C.B. 154, concerned a radio station formed to generate community interest in classical music programs being conducted by a local for-profit radio station. The various activities promoting the (for-profit) radio station's programming and encouraging sponsors to continue contracts were found to increase the radio station's revenues in a manner which generated impermissible private benefit to the for-profit radio station – thereby precluding exemption under Section 501(c)(3).

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption regardless of the number or importance of truly exempt purposes.

In Benedict Ginsberg and Adele W. Ginsberg v. Commissioner, 46 T.C. 47 (1966), exemption was retroactively revoked from a corporation to conduct the dredging of certain waterways. It was held that the corporation was organized and operated primarily for the benefit of those persons owning property adjacent to the waterways dredged rather than for public or charitable purposes. Therefore, the corporation didn't qualify for exemption under IRC Section 501(c)(3).

In Church By Mail, Inc. v. Commissioner, 765 F.2d 1387 (1985), the court held that the organization didn't qualify for exemption under IRC Section 501(c)(3) because it was operated for the substantial non-exempt purpose of providing a market for the for-profit corporation owned and controlled by its two reverends. "The critical inquiry is not whether particular contractual payments to a related for-profit organization are reasonable or excessive, but instead whether the entire enterprise is carried on in such a manner that the for-profit organization benefits substantially from the operation of the Church."

Application of law

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests for qualification of exempt status. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). Furthermore, Treas. Reg. Section 1.501(c)(3)-1(c)(1) states that to be operated exclusively for one or more exempt purposes, an organization must engage primarily in activities that accomplish one or more exempt purposes specified in Section 501(c)(3).

You provide grants to individuals to pay for services at D (grants can only be used at D), which is owned by your E. Your net earnings inure in whole or in part to the benefit of your E. See Treas. Reg. Section 1.501(c)(3)-1(c)(2).

You are operating for the private interest of your E who owns the for-profit entity, D, that provides services to grant recipients. Awarding grants to recipients only for use at D substantially promotes the private interests of D and E. See Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) and Treas. Reg. Section 1.501(c)(3)-1(d)(iii)(Example 2).

You are like the organization in Rev. Rul. 76-206 because the grants awarded to recipients will be given directly to D that would not otherwise receive these funds had the grants not been awarded. Thus, you are operating for the private interests of D and E.

You are like the organization described in Church By Mail, Inc. because you are operated for the substantial non-exempt purpose of providing additional clients to D, that is owned by your E. This serves the private interests of D and the E even though the services provided may be charitable in nature.

You are like the organization described in Benedict Ginsberg and Adele W. Ginsberg because restricting grant recipients to only seeking mental health treatment at D, which is owned by your E, substantially serves the private interests of D and E, rather than the public interests. The primary benefit D will receive from partnering with you is that more clients will be able to access its services, thereby building its clientele base and increasing community trust and awareness of the D brand.

You are like the organization described in Better Business Bureau of Washington, D.C., Inc. because although you fund services (mental health treatment for youth) that are considered an IRC Section 501(c)(3) purpose, restricting grant recipients to only being able to obtain mental health treatment at D, which is owned by your E, is substantially serving the private interests of D and E, which is not a Section 501(c)(3) purpose, and the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption regardless of the number or importance of truly exempt purposes.

Conclusion
You fail the operational test because you have failed to establish that you are operated exclusively for exempt purposes. Your substantial purpose is serving the private interests of D and E, rather than the public interests. Although you carry out charitable activities, these are incidental to your primary purpose. Additionally, your net earnings inure in whole or in part to the benefit of your E. Therefore, you do not qualify for IRC 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