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

IRS

Date:
05/27/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202634017
Release Date: 8/21/26
UIL Code: 501.00-00, 501.03-30

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
Redacted Letter 4038

IRS

Department of the Treasury
Internal Revenue Service

Date:
04/16/2026
Employer ID number:

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

UIL:
501.00-00
501.03-30

Legend:
B = City
C = State
D = Date
E = Units
f dollars = Amount
g percent = Percent

Dear :

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(3). This letter explains the reasons for our conclusion. Please keep it for your records.

Issues
Do you qualify for exemption under IRC Section 501(c)(3)? No, for the reasons stated below.

Facts
You were incorporated in the state of B on C. Your purpose, as stated in your Articles of Incorporation, restates the statute of IRC Section 501(c)(3), which, in part, is to be organized exclusively for charitable, religious, educational, and scientific purposes. You state in your application that you plan to focus your activities on community development initiatives and opportunities, provide economic improvement, sustainable jobs, affordable housing, workforce programs, education and training. to purchase and sell property, both real and personal. You also plan to mortgage and lease both real and personal property as necessary and engage in other activities that promote and support community development.

You indicate that 20% of your time will be spent on administration and marketing activities, which includes updating your website, processing public donations, coordinating outreach activities through volunteers, and other related activities. Further, 70% of your time will be spent on the delivery of program services such as the development of affordable housing, first time homeowner buyer classes, assisting other community organizations by providing technical assistance services and capacity building services. Finally, 10% of your time will be spent on research and development that focuses on expanding and enhancing your goals by creating a social enterprise as an economic support system working with cities and counties that will create jobs and support and sustain your mission.

Your goal is to provide opportunities for individuals a pathway out of poverty identified as low income, further defined as individuals whose household income level does not exceed g percent of the poverty guidelines.

In response to our request for additional information, you indicated you will primarily focus on moderate-income housing known as workforce housing. You will provide job training and home incentives loans for first time buyers through third party providers. You will provide quality affordable mixed-income housing initiates across the city and address the need for an estimated E incremental housing units for low-to-moderate income workers in B.

You state in a later correspondence that your program is specifically designed to be exclusively for moderate-income families. Applicants would be referred to you from lenders/realtors/developers/bankers/mortgage companies that have already approved the applicant for a loan that is in need of a downpayment assistance. You would provide the applicant with downpayment assistance in the amount of f dollars to be applied towards closing cost. Additionally, you stated you will support housing services that meet critical housing needs of very moderate-income households.

You state additional activities will include land banking program which will focus on short term to mid-term development projects targeting homeownership. These joint ventures will provide you with the same powers as local housing finance corporations with the ability to hold land as tax exempt in a perpetuity program and partnership with realtors. You state once your application is approved you will partner with nonprofit organizations to support housing services that meet critical housing needs of very moderate-income households. You will partner and train realtors, developers, lenders, bankers and foundations to become experts on assistance options for their clients and the benefits that your local partners receive by participation in your realtor search tool program developed by you that will include priority access to redeveloped homes owned by you.

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 qualify under IRC Section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either the organizational or operational test, it is not exempt.

Treas. Reg. Section 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 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(d)(1)(ii) states 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. To meet the requirement, it is necessary for the organization to establish it is not formed for the benefit of private interests such as designated individuals, shareholders of the organization, or people controlled, directly or indirectly, by such private interests.

Revenue Ruling 70-585, 1970-2 C.B. 115, states a nonprofit housing organization created to aid low and moderate-income families by lessening neighborhood tensions, eliminating prejudice and discrimination, and combating community deterioration may qualify for exemption under IRC Section 501(c)(3). It is held generally where an organization is formed for charitable purposes and accomplishes its charitable purposes through a program of providing housing for low and, in certain circumstances, moderate income families, it is entitled to exemption under Section 501(c)(3).

Rev. Rul. 2006-27, 2006-1 C.B. 915 sets forth rules and standards for determining whether organizations that provide down payment assistance to home buyers qualify as tax-exempt charities. Situation 2 describes an organization that, to finance its downpayment assistance activities, relied on other real estate related businesses such as real estate agents and developers who may receive financial benefit from the transactions that the organization facilitated, and knew in advance the identities of the home seller. The receipt of payment from the seller corresponded to the amount of the downpayment assistance. Since this activity was a critical aspect of the organization's operations, this activity served a private rather than a public purpose and the organization did not receive exemption under IRC Section 501(c)(3).

Revenue Procedure 96-32, 1996-20, 1996-1 C.B. 717 sets forth a safe harbor under which organizations that provide low-income housing will be considered charitable as described in IRC Section 501(c)(3) because they relive the poor and distressed. In Section 2 of the revenue procedure, the safe harbor permits a limited number of units occupied by residents above the low-income limits to further an organization's charitable purpose. To avoid giving undue assistance to those who can otherwise afford housing, the safe harbor requires occupancy by significant levels of both very low-income and low-income families. Section 3 states that at least 75% of the units for each project need to be occupied by residents that qualify as low-income and only up to 25% of units may be provided at market rates to people who have incomes in excess of the low-income limit.

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

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), the court held that organization formed to operate a school to train individuals was funded by the persons affiliated with a particular political party. Most of the organization's graduates worked in campaigns for the party's candidates. It was concluded that even though candidates and entities benefitted were not considered insiders to the organization, conferral of benefits on disinterested persons who are not members of a charitable class may cause an organization to indirectly serve a private interest within the meaning of Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

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 an organization to be recognized as exempt. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). Based on the information you provided, we conclude that you fail the operational test. You also do not meet the requirements under Treas. Reg. 1.501(c)(3)-1(c)(1), because, based on the information you provided, you are not operated exclusively for a charitable or exempt purpose, nor have you established that your activities will lessen the burdens of government, lessening neighborhood tensions, or combat community deterioration in any manner.

While Rev. Rul. 70-585 states that providing housing for moderate income families can serve a charitable purpose in certain circumstances, the expectation for organizations that provide housing in an exempt fashion is that housing is made available primarily to low-income families. However, you have stated that your units are exclusively only available to individuals with moderate income. Therefore, your activities are not charitable, as you have not met the safe harbor guidelines required for organizations operating low-income housing under IRC Section 501(c)(3) as indicated in Rev. Proc. 96-32.

While you plan to conduct activities designed to educate families on the benefits of homeownership, you are operating in a similar fashion to the organization described in Rev. Rul. 2006-27. Because a substantial part of your activities involves planning to partner with entities and individuals in the real estate field to assist you in identifying potential homeowners and providing housing to individuals that are generally not considered a charitable class, you are providing a direct benefit to these partners for their participation with you. You are thus serving a substantial direct private interest that is too large to ignore to grant exemption under IRC Section 501(c)(3). See Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

In addition, you also stated that you plan to operate a realtor search tool to be listed as a real estate "partner" on your website. While these individuals or entities are not considered insiders, you are operating in a similar fashion to the organization described in American Campaign Academy in that you are also serving private interests more than incidentally by operating this tool. So, while you are formed primarily to provide housing, you are indirectly serving the private interests of those benefitting from this activity and this would preclude exemption.

You are like the organization in Better Business Bureau. While your activities may provide some benefit to the community, you are ultimately furthering a substantial non-exempt purpose of serving private interests that will destroy exemption regardless of the number and importance of any truly exempt purposes.

Conclusion
Based on the information provided, you do not qualify for exemption as an organization described in IRC Section 501(c)(3). By providing housing solely to moderate income individuals and families in the manner described, your activities are not conducted in an exempt manner and serve a private rather than a public interest, more than incidentally. Therefore, exemption is not granted under Section 501(c)(3). Deductions to you are not deductible.

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:	Street address for delivery service:
Internal Revenue Service EO Determinations Quality Assurance Mail Stop 6403 PO Box 2508 Cincinnati, OH 45201	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