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

IRS

Date:
06/03/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202635015
Release Date: 8/28/26
UIL Code: 501.03-00, 501.03-25, 501.03-30, 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
Redacted Letter 4038

Department of the Treasury
Internal Revenue Service

Date:
04/16/2026
Employer ID number:

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

Legend:

B = State
C = Date
D = Region
E = City
F = Date
H = Development
K = Number
M = Number
N = Number
p percent = Percentage

UIL:

501.03-00
501.03-25
501.03-30
501.33-00

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 incorporated in B on C. You are currently recognized as exempt under IRC Section 501(c)(4) and are now seeking exemption under Section 501(c)(3). According to your Articles of Incorporation, you are formed to monitor and influence legislation that effects the development of D, E, B and areas contiguous thereto with a view towards its preservation and the continued care of D's beaches, bays and public access.

You further indicated that your Amendment to your Articles of Incorporation filed with the State of B on F, deleted, replaced, and superseded the purposes with, in pertinent part, the following:

> The Corporation is organized and shall operate exclusively for the promotion of social welfare as permitted in Section 501(c)(4) of the Internal Revenue Code of the United States, by, including but not

> limited to, the preservation of D and other such activities as outlined in the Corporation's Bylaws. The Corporation shall not engage in any activity not permitted under Section 501(c)(4) of the Intema1 Revenue Code of the United States. The Corporation shall not engage in any transaction, including compensation of any person, which would result in an excess benefit transaction under section 4958 of the Internal Revenue Code as Amended.

Your Amendment to the Articles of Incorporation, in pertinent part, also states that:

> Upon dissolution of the corporation, assets shall be distributed to a nonprofit fund, foundation or corporation that is organized exclusively for with charitable or social welfare purposes, having established its tax exempt status under either section 501(c)(3) or 501(c)(4) of the Internal Revenue Code or the corresponding section of any future federal tax code or shall be distributed to a state or local government for a public purpose.

You attested that you amended your Articles to include a purpose and dissolution clause that meets the requirements under IRC Section 501(c)(3), but we have no record of the amendment being filed with B.

Your Bylaws indicate you were established within the meaning of IRC Section 501(c)(4) for the purpose of preserving, protecting and defending the unique characteristics of D, enhancing the quality of life of D, promoting its interest and acting as a forum for bringing residents together, and representing, supporting, and assisting all residents and businesses associations in matters that will benefit D.

You indicate that you have four types of memberships: individual, resident associations, business, and associate. Your Bylaws provide the following definitions for each type of membership:

a. Business: Any Business located and operated within the boundaries of the area known as D may enroll to be a member.
b. Resident Associations: All of the unit owners of a resident association located on D are members of the association when they are enrolled by their resident association:
c. Individual: Owners of a home in H.
d. Associate: Resident associations, businesses or individuals not located on D.

Your application states that your activities include educating the D residents and assisting them where you can. Your speaker's forum educates members and social activities bring the community together. Monthly board meetings are a forum to discuss residential issues.

In response to our request for a detailed description of how your activities educate and assist D residents, you stated, "...since the founding of our association and as stated in our by-laws by representing, supporting, assisting and educating all residents, businesses and other associations in matters that will benefit D." You said you educate your residents as a group primarily through your town hall meetings speaker's forums where residents ask what issues are of concern to them, and you attract qualified speakers to answer their questions and concerns. Recent topics dealt with B property insurance, fire codes, inspections, hurricane preparedness, B laws effecting residents, issues with the City of E, high rise fire & rescue training on D, police update of activities in D, and briefings on FEMA and B's Emergency Management. You indicated that majority of your educational activity consists of being asked to explain something, how to solve a problem, who to contact in the city or county government, how to handle a complaint, how to get the city to repair damage on city property caused by hurricanes.

Your volunteers and residents live along a two-mile stretch with the sole purpose to preserve protect and defend the unique characteristics of D as a residential community and to enhance the quality of life for D residents through educating them. Once an educational program is suggested which benefits the residents or a single resident has an issue you spend the time to complete the program or to assist the resident.

You indicate your activities further your exempt purpose by the educational meetings providing numerous benefits for D residents. These benefits include, but are not limited to, hurricane preparedness tutorials, in-depth review of upcoming B legislation applicable to residents, and guidance on navigating property insurance in B. You indicate the meeting promote civic engagement with residents, educate residents on real world issues and assist residents with solving problems by proving information. Your activities take place at a local sailing center and at a local country club. The country club is not open to non-members.

We asked for more information regarding the change in your activities from those which further social welfare purposes to those which are exclusively charitable, educational, religious, literary, and/or scientific. You stated that D is a residential community near E, B. You also indicated you have a little over K residents living in M condominium owners' associations and N homeowner associations. You sent a map of D and indicated that security, safety, hurricane issues, understanding local, county, and state laws which pertain them are key issues for not only D but also the surrounding communities.

You further explained that your speaker forums and education series are the two services you provide to educate D and the surrounding communities. You advertised the speaker's forums extensively in the local media inviting residents from several different cities to the forums and traveled to another city to inform other communities. You made videos of the speaker forums for residents who were unable to attend which were emailed to them and the videos were posted on your website. You indicated because of the unique location of D, you offer annual programs along with the E Fire & Rescue Department and the E Police Department for safety and security.

You provided, besides the maps, flyers for:

- A discussion meeting between the two E mayoral candidates about their plans for E and D.
- A discussion meeting with the E council candidates for two different seats about their plans for E and D.
- A meeting with a former State senator and founder of a not-for-profit, non-partisan organization to discuss B property Insurance Laws.
- A meeting to host a prominent lawyer in the State of B with extensive experience in all aspects of condominium or homeowner issues.
- Flyers indicate all of the meetings will receive an update from the E police department.

You explained that at the speakers forums for candidates was designed to be educational instead of political. The candidates were notified in an email that you expected them to be educating the residents on what each will do if elected. The remarks should be positive and focus only on their programs. You advised them not to make comments about their opponent(s) or their programs, press statements or opponent advertising.

Your income consists primarily of membership dues, along with some income from interest on certificate of deposit investments, and raffle income. Your expenses consist of disbursements for you member meetings, payment to the sailing center so your members can sail at no cost, general liability insurance, officers' and directors' liability insurance, office supplies, advertising for new service and events, and general administrative

costs. You have paid a substantial amount, over p percent of your annual revenue, to the sailing center so that your members can sail at no cost.

Law

IRC Section 501(c)(3) provides, in part, for the exemption from federal income tax to organizations organized and operated exclusively for charitable, religious or educational purposes, provided that no part of its net earnings inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides 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(b)(1)(i) provides that an organization will be regarded as organized exclusively for one or more exempt purposes only if its articles of organization limit the purposes of such organization to one or more exempt purposes; and 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.

Treas. Reg. Section 1.501(c)(3)-1(b)(4) provides that 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 operation of law, be distributed for one or more exempt purposes.

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(d)(1)(ii) 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 purpose. To meet this requirement, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests.

Revenue Ruling 66-179, 1966-1 C.B. 139, describes situations under which garden clubs may qualify for exemption under IRC Section 501. 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. The organization in Situation 1 is organized and operated exclusively for charitable and educational purposes and qualifies for exemption under Section 501(c)(3). 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. 69-175, 1969-1 C.B. 149, held that a nonprofit organization, formed by parents of pupils attending a private school, that provides school bus transportation for its members' children, serves a private rather than a public interest and does not qualify for exemption under IRC Section 501(c)(3). When a group of individuals associate to provide a cooperative service for themselves, they are serving a private interest. It was determined that this organization serves a private rather than a public interest and does not qualify for 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 the exemption regardless of the number or importance of truly exempt purposes. The Supreme Court found that the trade association had an underlying commercial motive to promote a profitable business community that distinguished its educational program from that carried out by a university.

Benedict Ginsburg and Adele W. Ginsberg v. Commissioner, 46 T.C. 47 (1966), held that in order to qualify for exemption under IRC Section 501(c)(3) an organization must serve a public rather than a private interest. Although an incidental private benefit will not destroy the qualification or an otherwise religious and educational organization, where an organization is serving both public and private interests, the private benefit must be clearly incidental to the overriding public benefit.

Application of law
IRC Section 501(c)(3) sets forth two main tests for qualification of exempt status. As stated in Treas. Reg. Section 1.501(c)(3)-1(a)(1), an organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). Based on the information you provided in your application and supporting documentation, we conclude that you fail both the organizational and operational tests.

Organizational Test
You do not meet the organizational test as explained in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) and 1.501(c)(3)-1(b)(4). Neither your original Articles of Incorporation nor the Amendment to your Articles limit your purposes to one or more IRC Section 501(c)(3) exempt purposes or dedicate your assets to exempt Section 501(c)(3) purposes. Conversely, your purpose, as stated in the Amendment to your Articles is to further both Section 501(c)(3) and Section 501(c)(4) purposes. Upon dissolution, your assets may be distributed for either Section 501(c)(3) or Section 501(c)(4) purposes.

Operational Test
You are not operating exclusively for exempt purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1); rather, you are formed for the substantial non-exempt purpose of conducting social welfare activities and activities that substantially benefit your members. You are not operated exclusively for exempt purposes under Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) because your activities only serve public interests in a cursorily manner as a byproduct of furthering the private interests of your members.

Like the organization described in Rev. Rul. 66-179, you conduct substantial activities outside of the scope of IRC Section 501(c)(3). Your benefits flow primarily to your members, including free sailing at a local sailing center. Similar to the organization in Rev. Rul. 69-175, you are precluded from exemption under Section 501(c)(3) because a substantial portion of your revenue, more than p percent, annually is used for the private benefit of your members through free sailing.

You are similar to the organization described in Benedict Ginsberg and Adele W. Ginsberg, because your operations and activities confer benefits to interested persons and serve their private interests. Your members receive the benefits of free sailing at the sailing center. The educational topics consist mainly of topics that will improve and better the value of the businesses, homes, and condominiums of your members.

Qualification for exemption under IRC Section 501(c)(3) requires that an organization operate exclusively for exempt purposes. Exclusivity with respect to Section 501(c)(3) does not mean "solely" or "without exception," but rather contemplates that any non-exempt activities be only incidental and less than substantial. While you may have some charitable and/or educational component, your activities aren't exclusively charitable or charitable. You are similar to the organization in Better Business Bureau of Washington D.C., Inc., where 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 truly exempt purposes.

Conclusion
Based on the facts and circumstances presented, you do not qualify for exemption from federal income tax as an organization described in IRC Section 501(c)(3) because you fail both the organizational and operational tests. You fail the organizational test because your Articles of Incorporation and the Amendment to your Articles don't limit your purposes to those described in Section 501(c)(3) and your assets aren't exclusively dedicated to Section 501(c)(3) purposes. You fail the operational test because you aren't operated exclusively for exempt purposes as set forth in Section 501(c)(3). Your activities provide benefits to your members and generally are for the social welfare of the community. Any educational activities are incidental to the private interests to your members that are being served, which precludes you from exemption.

Your exemption under IRC Section 501(c)(4) remains in effect.

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