



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

**Date:**  
07/23/2026  
**Employer ID number:**

**Form you must file:**

**Person to contact:**

Release Number: 202642015  
Release Date: 10/16/26  
UIL Code: 501.03-30, 501.35-00, 501.36-01

Dear \_\_\_\_\_ :

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

Because you don't qualify as a tax-exempt organization under IRC Section 501(c)(3), donors generally can't deduct contributions to you under IRC Section 170.

We may notify the appropriate state officials of our determination, as required by IRC Section 6104(c), by sending them a copy of this final letter along with the proposed determination letter.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit [www.irs.gov](http://www.irs.gov).

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:  
Letter 437  
Redacted Letter 4034  
Letter 4038



**Department of the Treasury  
Internal Revenue Service**

**Date:**

05/01/2026

**Employer ID number:**

**Person to contact:**

**Name:**

**ID number:**

**Telephone:**

**Fax:**

**Legend:**

B = Date

C = State

x percent = percentage

y percent = percentage

**UIL:**

501.03-30

501.35-00

501.36-01

Dear :

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

**Issues**

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

**Facts**

You were established as a public benefit corporation on B, in the State of C. You were formed to foster research projects that evaluate the impact of education.

You will accomplish your purpose by providing managerial services to organizations that are exempt under IRC Section 501(c)(3), government agencies, private companies, researchers and research teams, whom you refer to as your clients.

You will divide your clients into two groups:

1. Research funders, such as foundations, government entities, or private corporations
2. Research teams, including researchers, data collection companies, and data analysts

You will connect group one, research funders, to group two, researchers and/or research teams, when those in group two possess the capability to meet the criteria of the grants available from group one. You anticipate the grant criteria will initially involve researching the impact of education for charitable foundations, but some private companies may also want research performed on their workplace training programs.

Group one, research funders, will predominantly be exempt under IRC Section 501(c)(3). However, as time moves forward, you will broaden your services to include private businesses. You expect no more than x percent of your funding clients will be private enterprises.

Regarding group two, you estimate that fewer than half will be exempt entities because (i) research may also be conducted by research institutions, or (ii) researchers may be faculty members funded by universities or employed in the private sector and contracted to carry out research projects under your guidance.

After the two groups are matched and the grant amounts are agreed upon, you will also enter into contractual agreements with the parties involved to manage the grants. Your management services will include:

- establishing deadlines for project completion,
- managing the contracts with the parties involved in the research projects, and
- ensuring that the researchers fulfill their obligations to publish results and disseminate findings in a timely and effective manner.

In exchange for managing the grants, you will charge the research funder a service fee of y percent of the overall monetary value of the grant. Your services are not available to those that cannot or choose not to pay your service fee, and you do not plan to provide your services to any client at a rate significantly below your total operational costs. Your service fee is structured to encompass your operational costs while still being competitive with the fees charged by academic institutions for services akin to yours.

You will be overseen by a volunteer board of independent directors and compensated for reasonable expenses; however, your board members may serve in other roles and receive payment for their services. You currently have no paid personnel. However, as funding becomes available for staffing expenses, half of your workload may be handled by paid employees, such as an executive director, to perform tasks such as generating reports, overseeing payments, and organizing board meetings. Your board will be responsible for the other half of your workload, which includes managing relationships with research funders and other research entities.

You will rely on personal contacts, emails, phone communications, and similar avenues to inform the research community of your services. However, you will not use conventional media or social media networks as vehicles of promotion. You will maintain regular office hours from A.M. to P.M., through , to conduct your work.

### **Law**

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

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that 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 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 that accomplish one or more of such exempt purposes. Further, an organization will not be regarded as operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) provides that the term “educational,” as used in IRC Section 501(c)(3), relates to the instruction or training of individuals for the purpose of improving or developing their capabilities, or the instruction of the public on subjects useful to the individual and beneficial to the community.

Treas. Reg. Section 1.501(c)(3)-1(d)(5)(iii)(a-b) provides that scientific research will be regarded as carried on in the public interest if the results of such research (including any patents, copyrights, processes, or formulae) are made available to the public on a nondiscriminatory basis, or such research is performed for the United States, or any of its agencies or instrumentalities, or for a State or political subdivision thereof.

Revenue Ruling 65-60, 1965-1 C.B. 231, describes an organization formed to develop and disseminate a body of new knowledge relating to the social sciences. Its professional research staff primarily conducts (i) scientific research under governmental contracts and (ii) seminar courses for qualified members of the public. No research is performed for the private benefit of any person or organization. Research results are communicated to the public through seminar courses, lectures, and public discussions, and through publications distributed free to depository libraries. Held, the organization qualifies as an educational and scientific organization under IRC Section 501(c)(3) because it furthers educational purposes by disseminating knowledge via courses, lectures, discussions, and publications, and furthers scientific research in the public interest through governmental contracts per Treas. Reg. Section 1.501(c)(3)-1(d)(5)(iii)(b).

Rev. Rul. 69-528, 1969-2 C.B. 127, describes an organization formed to provide investment services for a fee exclusively to organizations exempt under IRC Section 501(c)(3). The ruling states that providing investment services on a regular basis for a fee is a trade or business ordinarily carried on for profit. If the services were regularly provided by one tax-exempt organization for other tax-exempt organizations, such activity would constitute unrelated trade or business. It was held that the organization is not described in Section 501(c)(3) since it was regularly carrying on the business of providing investment services that would be an unrelated trade or business if it were carried out by any of the tax-exempt organizations on whose behalf it operates.

Rev. Rul. 71-529, 1971-2 C.B. 234, describes an organization that managed the endowments or investment funds of colleges and universities for a fee significantly lower than its actual costs, since most of its operating expenses were paid for by grants from independent charitable organizations. The organization’s board included only representatives from the colleges and universities that were exempt under IRC Section 501(c)(3) and participated in its program. And the organization restricted its services solely to the exempt organizations that governed it. It was determined that by managing the endowments or investment funds of the participating colleges and universities for a fee that was significantly below the organization’s costs, it was engaging in a charitable activity as defined by Section 501(c)(3) as it was performing an essential function for the related charitable institutions.

Rev. Rul. 72-369, 1972-2 C.B. 245, describes an organization that was established to offer managerial and consulting services on a fee-for-service basis to unrelated exempt organizations. The organization derived its income solely from the services it provided, and disbursed payments to satisfy its operating expenses. Providing managerial and consulting services on a regular basis for a fee is a trade or business ordinarily carried on for-

profit. The services provided at cost and solely for exempt organizations is not sufficient to characterize the activity as charitable within the meaning of IRC Section 501(c)(3) since furnishing the services at cost lacks the donative element necessary to establish the activity as charitable.

Rev. Rul. 76-296, 1976-2 C.B. 141 (1976), distinguishes two situations involving scientific research undertaken pursuant to contracts with private industry. The ruling holds that commercially sponsored research, otherwise qualifying as scientific research under IRC Section 501(c)(3), the results of which, including all relevant information, are timely published in such form as to be available to the interested public, constitutes scientific research carried on in the public interest.

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

In B.S.W. Group, Inc. v. Commissioner, 70 T.C. 352 (1978), the court found that the taxpayer did not meet the operational test under Section 501(c)(3) because it was primarily engaged in an activity which was characteristic of a trade or business. B.S.W. Group was a corporation formed to provide consulting services in the area of rural-related policy and program development to tax-exempt and not-for-profit clients. It planned to hire independent paid consultants to perform the work and, although its policy was to provide the services at "cost," it would charge a nominal administrative fee for making the arrangements. Several of the taxpayer's planned service areas were of the sort ordinarily carried on for profit by commercial businesses such as banks, personnel agencies, and trash disposal firms, the taxpayer did not provide any free or below-cost services, and the taxpayer's clientele was not limited to Section 501(c)(3) exempt organizations.

Washington Research Foundation v. Commissioner, T.C. Memo 1985-570 (Tax Ct. 1985), held an organization's research activities did not qualify for exemption under IRC Section 501(c)(3). The organization facilitated transfer of technology from nonprofit organizations' labs for public use through licensing arrangements with private industry. Because the immediate benefit of its activities rebounded to private industry and the nonprofit research institutions, and only indirectly to the general public, it was found these activities were commercial in nature and not in direct furtherance of exempt purposes.

### **Application of law**

IRC Section 501(c)(3) sets forth two main tests for qualification of exempt status. Per Treas. Reg. Section 1.501(c)(3)-1(a)(1), an organization must show it is both organized and operated exclusively for exempt purposes. Based on the information provided in your application and supporting documentation, you fail the operational test as required by Treas. Reg. Section 1.501(c)(3)-1(c)(1) for the following reasons:

1. You do not exclusively further exempt purposes under IRC Section 501(c)(3).
2. You do operate for a substantial nonexempt purpose.

### **You do not exclusively further exempt purposes under IRC Section 501(c)(3)**

Your primary activities will consist of providing management and consulting services for research projects. You will manage contracts between two groups of clients, establish deadlines for project completion, and ensure researchers fulfill contractual obligations to publish and disseminate findings. These activities are management and consulting services performed for the benefit of your clients and therefore do not constitute educational or scientific activities under Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) or Treas. Reg. Section 1.501(c)(3)-

1(d)(5)(iii)(a). Your role in the research projects will be limited to facilitating the work of others. You will not conduct the research, control the research agenda, or directly educate the public. Accordingly, your activities will not exclusively further educational or scientific purposes within the meaning of IRC Section 501(c)(3).

You are not like the organization in Rev. Rul. 65-60. You will not educate the public by conducting educational activities nor ensure the published results and disseminated findings resulting from research projects you manage are distributed in a nondiscriminatory manner that serves the public interest per Treas. Reg. Section 1.501(c)(3)-1(d)(5)(iii)(a). Also, your clients will not primarily be governmental agencies, which is contrary to furthering scientific research in the public interest per Treas. Reg. Section 1.501(c)(3)-1(d)(5)(iii)(b).

You are not like the organization Rev. Rul. 71-529 since your governing body members are not appointed to their positions by organizations that are exempt under IRC Section 501(c)(3), your clientele is not limited to organizations that hold exempt status under IRC Section 501(c)(3), and your service fees are not set to be significantly below your operational costs. However, you are like the organization in Rev. Rul. 69-528 in that you enter into contracts with unrelated organizations to provide services on a fee-for-service basis, you do not solicit donations to fund your operational activity, and your service fees are set to cover your operational costs, which will include staffing expenses.

You are like the organization in Rev. Rul. 76-296. You will not facilitate the conduct of scientific research nor ensure it is timely published in such form as to be available to the interested public; e.g., the results and findings may be published or disseminated exclusively for the use of your clients. This does not constitute scientific research conducted in the public interest and therefore precludes you from exemption.

#### **You operate for a substantial nonexempt purpose**

Your activities are conducted in a commercial manner. Like the organization described in B.S.W. Group, Inc., you provide consulting and management services similar to for-profit entities engaged in project management or similar kinds of research administration. Any public benefit resulting from the publication of research findings is incidental to the primary benefits you confer upon your clients for a fee.

You are like the organization in Rev. Rul. 72-369. You will not conduct scientific research; you will manage it for y percent of the grant's monetary value for a variety of entities, including private corporations. You will not guarantee the results and findings of such research are published or otherwise disseminated in an educational or nondiscriminatory manner in the public interest.

You are similar to the organization in Washington Research Foundation. Your management services primarily benefit your clients by ensuring timely and effective delivery of research projects for the benefit of various research funders, the benefits of which incidentally rebound to the public. Like Washington Research Foundation, your activities are commercial in nature and not in direct furtherance of exempt purposes under IRC Section 501(c)(3). Further, your management services are substantial because these activities encompass the entirety of your operational activities. And since you function with a substantial nonexempt purpose, you are precluded from exemption under IRC Section 501(c)(3), like the organization in Better Business Bureau of Washington, D.C., Inc.

#### **Conclusion**

Based on the information provided, you will not operate exclusively for an exempt purpose. Because a substantial part of your activities consists of providing management and consulting services, you do not

exclusively further exempt purposes under IRC Section 501(c)(3). Donations and contributions to you are not tax deductible by your donors and contributors.

### **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](http://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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements