



Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities  
PO Box 2508  
Cincinnati, OH 45201

Date:  
08/29/2022  
Employer ID number:  
  
Person to contact:

Release Number:202247015  
Release Date: 11/25/2022  
UIL Code: 501.00-00, 501.03-00, 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](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  
Redacted Letter 4038



Department of the Treasury  
Internal Revenue Service  
PO Box 2508  
Cincinnati, OH 45201

Date: 07/06/2022

Employer ID number:

Person to contact:

Name:

ID number

Telephone:

Fax:

**Legend:**

B = Country

C = Organization 1

D = Organization 2

E = Date

F = Date

G = State

x dollars = Amount

**UIL:**

501-00.00

501-03.00

501-03.30

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 submitted Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code on E.

You attest that you were incorporated on F, in the state of G. You attest that you have the necessary organizing document, that your organizing document limits your purposes to one or more exempt purposes within the meaning of IRC Section 501(c)(3), that your organizing document does not empower you to engage in activities, other than an insubstantial part, that are not in furtherance of one or more exempt purposes, and that your organizing document contains the dissolution provision required under Section 501(c)(3).

You attest that you are organized and operated exclusively to further charitable purposes. You attest that you have not conducted and will not conduct prohibited activities under IRC Section 501(c)(3). Specifically, you attest you will:

- Refrain from supporting or opposing candidates in political campaigns in any way
- Ensure your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals
- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially
- Not be organized or operated for the primary purpose of conducting a trade or business not related to your exempt purpose(s)
- Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a Section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in Section 501(h)
- Not provide commercial-type insurance as a substantial part of your activities

Your mission on the Form 1023-EZ states that you impartially promote commerce, tourism, education and employment between B and the USA.

Detailed information was subsequently requested. Your Articles of Incorporation state you are organized for public purposes and your specific purpose is to be an impartial promoter of commerce, tourism, education, and employment between B and the USA.

You expect % of your time and resources will be spent on international collaboration. The purpose of the international collaboration is to facilitate business communication in B and the USA. You would be a resource for parties that have any issues in trade and commerce. You focus on promoting trade and investment between B and the USA in the area of tourism in B, student exchange program, and organizations that promote cultural affairs.

You aim to foster trade and commerce between B and the USA, to promote/protect open markets for goods and services, and the free flow of capital including investments. You intend to perform a number of functions for businesses, including the establishment of rules, dispute resolution, policy advocacy, and training. Your vast networks of committees and experts belong to a full range of business sectors, and you will keep your members informed of all issues that affect their industries. You will also establish and maintain contact with C, D, and other intergovernmental agencies.

You will establish a website for international collaboration, conduct online Zoom meetings to connect different types of resources, provide assistance on determining useful products and services, and hold tradeshows to display services and products. You plan to attend several tradeshows annually which will be held at various locations.

Your international collaboration activities will be promoted through your website and tradeshows. You are a membership organization, and the membership fee is x dollars.

You expect % of your time and resources will be spent on administrative activities and public relations to attract potential sponsors and public contributions.

Your expected revenues are contributions and membership fees, and your expected primary expenses are travel and tradeshows.

You will not operate in foreign countries and do not plan to make grants to foreign organizations or individuals. You will only collaborate with individuals and businesses in B.

**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 operational test, it is not exempt.

Treas. Reg. Section 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:

- (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.

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 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 interest.

Revenue Ruling 71-504, 1971-2 C.B. 231, describes an organization exempt under IRC Section 501(c)(6) that primarily directed its activities to the promotion of the common business purposes of its members. The organization could not be reclassified as an organization described in Section 501(c)(3) because its activities were directed primarily at the promotion of the medical profession and thus furthered the common business purpose of its members.

Rev. Rul. 71-505, 1971-2 C.B. 232, holds that a city bar association, exempt from federal income tax under IRC Section 501(c)(6), that primarily directs its activities to the promotion and protection of the practice of law, may not be reclassified as an educational or charitable organization that is exempt under Section 501(c)(3). The organization described is engaged in a whole host of activities that can fairly be described as educational or charitable in nature. However, it also engages in many activities that promote its members' professional and business interest, such as establishing and promulgating minimum fee schedules, preparing papers on the economics of law practice, and establishing and enforcing standards of conduct for members.

Rev. Rul. 73-567, 1973-2 C.B. 178, describes a medical specialty board formed by members of the medical profession to improve the quality of medical care available to the public and to establish and maintain high standards of excellence in a particular medical specialty. The board's activities consist of devising and administering written examinations to physicians in a particular medical specialty and issuing certificates to successful candidates. By examining and certifying physicians, the board promotes high professional standards.

Although some public benefit may be derived from promoting high professional standards in a particular medical specialty, the activities of the board are directed primarily to serving the interest of the medical profession. Accordingly, the board is exempt from federal income tax under IRC Section 501(c)(6) but is not exempt under Section 501(c)(3).

Rev. Rul. 76-366, 1976-2 C.B. 144, describes an organization which is an association of investment clubs formed for the mutual exchange of investment information among its members and prospective investors to enable them to make sound investments, that does not qualify for exemption under IRC Section 501(c)(3). Its activities include the preparation and distribution of teaching aids for the use of its member clubs; the conduct of workshops and seminars and the sponsorship of lectures on various investment subjects; and the publication of a monthly newsletter for individual investors. While some of the association activities are educational, and of the kind that might be carried on by an organization described in Section 501(c)(3), many of the activities are directed in whole or in part to the support and promotion of the economic interests of the investment clubs that comprise its memberships. These activities are not in furtherance of charitable and educational purposes. Further, by furnishing information to prospective investors to enable them to make sound investment, the association is serving private interests.

In Better Business Bureau of Washington, D.C., Inc v. United States, 326 U.S. 279 (1945), the Supreme Court of the United States interpreted the requirement in IRC Section 501(c)(3) that an organization be “operated exclusively” by indicating that an organization must be devoted to exempt purposes exclusively. The presence of a single non-exempt purpose, if more than insubstantial in nature, will destroy the exemption regardless of the number and importance of truly exempt purposes.

#### **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).

Your Articles of Incorporation state that your specific purpose is to be an impartial promoter of commerce, tourism, education and employment between B and the USA. Your purpose is broader than those described in IRC Section 501(c)(3). As a result, you have not satisfied the organizational test described in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i).

You are not operated in accordance with Treas. Reg. Section 1.501(c)(3)-1(c)(1) because you are operated for a substantial nonexempt private purpose. The facts show you are operated for the benefit of your member businesses. Your activities are aimed to foster trade and commerce between two countries. For example, you hold and attend tradeshows to display services and products to promote your members’ businesses. You also perform functions for businesses such as establishment of rules, dispute resolution, and policy advocacy. These facts also illustrate that you are operated to serve the private interests of your member businesses in contravention to Treas. Reg. Section 1.501(c)(3)-1(d)(ii).

You are like the organization described in Rev. Rul. 71-504 because your overall purpose is to promote the common business interest of your members which disqualifies you from exemption under IRC Section 501(c)(3).

You are similar to the organization in Rev. Rul. 73-567. Your establishment of rules may provide some public benefit, but your activities are directed primarily to serving the interests of your members.

You are also similar to the organizations described in Rev. Ruls. 71-505 and 76-366. Although some of your activities may be educational in nature, the majority of your activities are serving the private interests of your members and/or promoting your members' business interests. Like the organization in Better Business Bureau, a substantial portion of your purposes and activities are not exempt, and thus you are not operating exclusively for exempt purposes under IRC Section 501(c)(3).

### **Conclusion**

Based on the information submitted, you do not qualify for exemption under IRC Section 501(c)(3). You do not meet the organizational test and the operational test. You are operated for the private interests of your member businesses.

### **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