



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

Date:
11/28/2022
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Number: **202308012**
Release Date: 2/24/2023

UIL: 501.03-30, 501.33-00, 501.35-00

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,

Stephan 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: September 27, 2022

Employer ID number:

Person to contact:

Name:
 ID number:
 Telephone:
 Fax:

Legend:

X = Date
 Y = State

UIL:

501.03-30
 501.33-00
 501.35-00

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 were formed as a nonprofit corporation on X in the State of Y for charitable purposes.

Your activities include a time bank membership-based barter system that uses volunteer hours instead of money as currency for goods and services. Your website describes this concept as one hour of service by a member goes into the time bank which is good for one time bank dollar. The time bank dollar can be exchanged for a service or good that would benefit the member in return. You help members to bank and use volunteer hours for services and support they may need. The services offered by members will be found on your website. You spend _____ % of your time on this activity.

Each of your members must complete an application process with an intake packet and interview that provides an inventory of their skills, habits, hobbies, and limitations. You pair like members, but members are also welcomed to try new skills and join other teams. In addition to the time bank services described above, your members receive quarterly newsletters of current and future events, accomplished _____, and upcoming _____ and educational opportunities. All current members may attend your events free of charge, but hosted events may have a surcharge.

Your also operate a _____ . Through the _____, you offer gatherings, seminars, support services and social events on complete _____, which includes reviewing family financial positions to determine why they

need to a . Your is full of information, activities and events that promote as a prescription for long, healthy, and active lifestyles. You spend % of your time on this activity.

Law

IRC Section 501(c)(3) provides for the exemption from federal income tax of corporations organized and operated exclusively for charitable or educational purposes, provided no part of the net earnings inures 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) 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(c)(2) states 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) states that an organization is not operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest.

Revenue Ruling 61-170, 1961-1 C.B. 112, states that the organization is primarily engaged in the performance of personal services by operating an employment service principally for the benefits of its members. Therefore, the organization served the private interest of its members and did not qualify for exemption under IRC Section 501(c)(3).

Rev. Rul. 69-175, 1969-1 C.B. 149, held that when a group of individuals associate to provide a cooperative service for themselves, they are serving a private rather than public interest. Accordingly, the organization was not exempt under IRC Section 501(c)(3).

Rev. Rul. 71-395, 1971-2 C.B. 228, held that the cooperative gallery is engaged in showing and selling the works of its own members which serves the private interest of its members. Therefore, the organization is not exempt under IRC Section 501(c)(3).

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court stated that the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption under IRC Section 501(c)(3), regardless of the number or importance of statutorily exempt purposes.

Application of law

You are not described in IRC Section 501(c)(3) nor comply with Treas. Reg. Section 1.501(c)(3)-1(a)(1) because you are not operated exclusively for exempt purposes.

As a time bank membership-based barter system, you provide a mutual benefit to your members which utilizes units of members' time as the currency for reciprocal service and good exchanges. Twenty-five percent of your

time which is more than an insubstantial part of your activities, is devoted to nonexempt purposes. The time bank activity does not further an exempt purpose under IRC Section 501(c)(3) as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1).

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) states that an organization is not operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Although you conduct some educational activities that may further exempt purposes, your application indicates that there is intent to operate a type of cooperative organization using a bartering exchange for the mutual benefit of your members. This type of activity is not serving a public purpose but rather is conducted for the private interest of your members. You limit services of any and all kinds to your members providing a prohibited private benefit under Treas. Reg. Section 1.501(c)(3)-1(c)(2).

You are similar to the organizations described in Revenue Rulings 61-170 and 69-175 because more than an insubstantial amount of your resources, purposes, and activities are used to offer your members a reciprocal exchange of services and goods between each other. Although time dollars do not have currency value, your system of allowing members to deposit time dollars and exchange them for other service acts in a cooperative manner and, therefore, serves the private interests of your members.

Like the example given in Rev. Rul. 71-395, you are similar because of the private benefit to your individual members through the reciprocal exchange of services using an alternative monetary system which uses units of time as currency. The cooperative art gallery engaged in showing and selling only the works of its own members which is a vehicle for advancing their careers and promoting the sale of their work. Thus, failing the operational test for IRC Section 501(c)(3).

You are similar to the organization described in Better Business Bureau of Washington, D.C., Inc., supra, because the presence of your time bank activity serves a substantial nonexempt purpose precluding exemption under IRC Section 501(c)(3). The time bank coordinates the exchange of services amongst your members based on their needs. The main beneficiaries of your operation are your members rather than the general public.

Conclusion

Based on the facts, information submitted, and found on your website, you are not operated exclusively for exempt purposes. You serve the private interests of your members rather than public interests. Thus, you do not qualify for exemption as an organization described in 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