



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

Date:
08/01/2024
Employer ID number:

Person to contact:

Release Number: 202443019
Release Date: 10/25/2024
UIL Code: 501.03-00

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
Letter 4038



Department of the Treasury
Internal Revenue Service

Date: 06/06/2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

X = Date

Y = State

Z = City, State

B = Number

c percent = Amount

UIL:

501.03-00

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

You attest that you were incorporated on X, in the state of Y. 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 the IRC Section 501(c)(3), that your organizing document does not expressly 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 that 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 that is 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

You indicated in Form 1023-EZ that your most significant activities are the promotion of physical fitness and healthy lifestyle within the restaurant and service communities.

Detailed information was subsequently requested. You elaborated on the activities by explaining that you focus on running and yoga. The physical activities you conduct are not directed towards children, elderly, disabled persons, or any charitable class. You focus on individuals in the restaurant and service communities. The yoga and running activities take place in downtown Z, B times a week and represent c percent of your activities.

Law

IRC Section 501(c)(3) exempts organizations organized and operated exclusively for religious, charitable, scientific, literary, testing for public safety, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, as long as no part of the net earnings of which inures to the benefit of any private shareholder or individual.

IRC Section 501(j) provides that an organization which fosters national or international amateur sports competition, but whose activities also involve the provision of athletic facilities or equipment, may still qualify for exemption under Section 501(c)(3) if the organization is considered a “qualified amateur sports organization” under Section 501(j)(2). Qualified amateur sports organizations will qualify for tax-exempt status whether or not they provide facilities or equipment to their members, and whether or not their membership is local or regional in nature. For purposes of this subsection, the term “qualified amateur sports organization” means any organization organized and operated exclusively to foster national or international amateur sports competition if such organization is also organized and operated primarily to conduct national or international competition in sports or to support and develop amateur athletes for national or international competition in sports.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) states 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(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)(2) defines the term charitable as including the relief of the poor and distressed or of the underprivileged, and the promotion of social welfare by organizations designed to lessen

neighborhood tensions, to eliminate prejudice and discrimination, or to combat community deterioration. The term "charitable" also includes lessening of the burdens of government.

Revenue Ruling 70-4, 1970-1 C.B. 126, describes an organization formed for the stated purposes of promoting the health of the general public by encouraging all persons to improve their physical condition and of fostering by educational means public interest in a particular sport for amateurs. Its primary activities include promoting the sport by circulating printed materials conducting exhibitions, tournaments and giving occasional instructive clinics. The organization's activities were not considered exclusively educational within the meaning of IRC Section 501(c)(3), and therefore the organization is not exempt under Section 501(c)(3). However, it may qualify for exemption under Section 501(c)(4) for providing wholesome activity for the social improvement and welfare of the community.

Rev. Rul. 77-365, 1977-2 C.B. 192, describes an organization that was organized and operated to instruct and educate individuals of all ages and skill levels in a particular sport. It conducts clinics, workshops, lessons, and seminars. The organization was recognized as an educational organization described in IRC Section 501(c)(3).

In Better Business Bureau of Washington, D.C., Inc. v. U.S., 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 statutorily exempt purposes.

Application of law

You are not described in IRC Section 501(c)(3) or Treas. Reg. Section 1.501(c)(3)-1(a) because you fail the operational test.

You do not foster national or international amateur sports competition nor are you operated primarily to conduct national or international sports competition to support and develop amateur athletes for national or international competitions as described in IRC Section 501(j). The persons involved in your activities are participating in a sport for their own personal health, fitness, and well-being as well as recreational and social purposes. Thus, you are not an amateur sports organization as described in Section 501(j).

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). You indicated you are charitable on Form 1023EZ, however more than an insubstantial part of your activities are not in furtherance of a charitable purpose. You organize recreational yoga and running activities that serve the private interests of the participants of your events.

Treas. Reg. Section 1.501(c)(3)-1(d)(2) defines the term charitable as including the relief of the poor and distressed or of the underprivileged, the promotion of social welfare by organizations designed to lessen neighborhood tensions, elimination of prejudice and discrimination, or to combat community deterioration. The term "charitable" also includes lessening of the burdens of government. Your activities of running and yoga directed to adults who work in service industry do not accomplish one or more exempt purposes in IRC Section 501(c)(3).

You are similar to the organization described in Rev. Rul. 70-4 that was formed for the purposes of promoting the health of the general public by encouraging all persons to improve their physical conditioning. This

organization was denied exemption under IRC Section 501(c)(3). You and this organization are both created for the promotion of the wellbeing of your participants, in your case, by providing an opportunity to improve their physical conditioning through running and yoga recreational activities. Your activities are not exclusively educational but rather are directed to the improvement of your participants' general fitness levels.

You are not like the organization described in Rev. Rul. 77-365. You do not instruct individuals of all skill levels in a particular sport through clinics, workshops, or lessons. Rather, you organize recreational and social events for your participants.

In Better Business Bureau of Washington, D.C., Inc., the court determined that the presence of a substantial non-exempt purpose will preclude exemption. Your activities are substantially directed towards non-exempt recreational and social purposes. Any educational activities you conduct are incidental to your recreational and social activities. Because you conduct substantial non-exempt activities, you are precluded from exemption under IRC Section 501(c)(3).

Conclusion

We conclude that you do not qualify for exemption from federal income tax as an organization described in IRC Section 501(c)(3). You do not meet the operational test for Section 501(c)(3) because you are operated for the substantial nonexempt purpose of providing yoga and running for both recreational and general physical fitness purposes to a non-charitable class.

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