



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

Date:
08/01/2024
Employer ID number:

Person to contact:

Release Number: 202443023
Release Date: 10/25/2024
UIL Code: 501.00-00,
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:

V = Date

W = State

X = Name

Y = Number Range

UIL:

501.00-00

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 were formed on V, in the state of W, as a Limited Liability Company (LLC). Per your articles of organization, your sole member is X. Your organizing document does not declare a stated purpose, nor does it include a dissolution clause.

You indicated that you will be involved with projects that operate strictly for the benefit of the less privileged and of senior citizens with limited income. Any profits or income derived from your projects will go back to your base fund and will be used for expansion and operation improvement.

You stated that initial funding for your projects will come from private donations and loans pre-arranged between private parties. You will not engage in any public fundraising.

Your projects include a food bank that will distribute food to the needy in the local community and a Senior Citizen Center. Recipients of food distributions are not required to pay. Cash donations will be accepted to defray your cost of operations. The community center is a place for the elderly to gather, meet, exercise, learn and help one another. There are no membership fees charged to use the facility.

You will be responsible for setting up projects, building the facilities, hiring staff and overseeing operations. You stated that, as the sole member of the organization, X will spend Y hours per week on these projects.

We sent you Letter 1312 two times advising you to change your entity type to a non-profit corporation or as an unincorporated association. You did not make the change.

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 the 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 limit the purposes of the organization to one or more exempt purposes and do not expressly empower the organization to engage, other than as an insubstantial part of its activities, in activities that are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(2) provides that the term articles of organization or articles includes the trust instrument, the corporate charter, the articles of association, or any other written instrument by which an organization is created.

Treas. Reg. Sec. 1.501(c)(3)-1(b)(4) provides that, for an organization to be exempt and described in IRC Section 501(c)(3), the organization must dedicate its assets to an exempt purpose by operation of the law, or a provision in the organization's Articles of Incorporation, or to the federal government, or to a state or local government for a public purpose, or assets would be distributed by a court to another organization that would meet similar purposes as the dissolved organization was organized to meet. An organization will not be considered exempt if its assets are not dedicated to an exempt purpose.

Notice 2021-56, Standards for Section 501(c)(3) Status of Limited Liability Companies, lists required provisions of LLC's articles of organization and operating agreement:

1. Each member of the LLC be either (i) an organization described in Section 501(c)(3) and exempt from taxation under Section 501(a) or (ii) a governmental unit described in Section 170(c)(1) (or wholly-owned instrumentality of such a governmental unit).
2. Express charitable purposes and charitable dissolution provisions in compliance with Treas. Reg. Section 1.501(c)(3)-1(b)(1)and(4).
3. The express chapter 42 compliance provisions described in Section 508(e)(1), if the LLC is a private foundation.
4. An acceptable contingency plan in the event that one or more members cease to be Section 501(c)(3) organizations or governmental units (or wholly-owned instrumentalities thereof).

The LLC must represent that all provisions in its articles of organization and operating agreement are consistent with applicable state LLC law and are legally enforceable.

Application of law

A ruling on exempt status is based solely on facts and representations in the administrative file. You have not provided supporting documentation to establish you meet the requirements of IRC Section 501(c)(3). IRC Section 501(c)(3) sets forth two main tests for qualification for 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 IRC Section 501(c)(3). You have failed to meet both requirements.

You were formed as a Limited Liability Corporation and your articles of organization state no exempt purpose. Because your articles of organization do not limit your purposes to those described in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) or dedicate your assets upon dissolution to exempt organizations as described in Treas. Reg. Section 1.501(c)(3)-1(b)(4) you fail the organizational test under IRC Section 501(c)(3).

Your articles of organization do not meet the requirements outlined in Notice 2021-56:

- Your articles of organization do not limit your membership to organizations exempt under IRC Section 501(c)(3) or a governmental unit described in IRC Section 170(c)(1); instead, your members are individuals, which violates the prohibition against inurement under IRC Section 501(c)(3).
- Your articles of organization do not limit your purpose to one or more exempt purposes under IRC Section 501(c)(3) and do not expressly empower you to engage in activities that are not in furtherance of one or more exempt purposes. Also, your articles of organization do not limit the distribution of your assets upon dissolution for one or more exempt purposes.
- Your members are individuals. Therefore, you do not have a contingency plan if one or more members cease to be exempt under IRC Section 501(c)(3) or governmental units (or wholly owned instrumentalities thereof).

You do not meet the organizational requirements of an LLC as described in Notice 2021-56. Your articles of organization do not limit your purpose or dedicate your assets to one or more exempt purposes as required under IRC Section 501(c)(3). We sent you Letter 1312 two times advising you to change your entity type to a non-profit corporation or as an unincorporated association. You did not make the change. You are still incorporated in the state of W, as a Limited Liability Company (LLC). As a result, you have not satisfied the organizational test described in Treas. Reg. Sections 1.501(c)(3)-1(b)(1)(i) and 1.501(c)(3)-1(b)(4).

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). You are formed as a Limited Liability Company. Your articles of organization do not limit your purposes to one or more exempt purposes and do not dedicate your assets upon dissolution to an exempt purpose. Therefore, you do not qualify for tax exemption under Section 501(c)(3) because you are not organized exclusively for purposes described in 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