



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

Date:
10/03/2024
Employer ID number:

Person to contact:

Release Number: 202452014
Release Date: 12/27/24
UIL Code: 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.

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: 06/18/2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date

C = State

UIL:

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, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

You were incorporated on B, in the state of C. Your Articles of Incorporation (AOI) state your purpose is to work for equality by engaging in legal, educational, and social activities with the goal of defending and protecting U.S. citizens' constitutional and civil rights. The activities will include inspiring, advocating, and using digital art on blockchain.

Your application and AOI contain similar language about your purpose. Once you receive your exemption, you will start to plan future activities. One of your future activities will be to provide legal funds to individuals to defend violations of constitutional and civil rights which you hope your CEO will be the first of many you help. The only activities now are brainstorming, defining purpose and vision, audience market research, revisiting your CEO's copyright, and filing the required documents with your state.

You will have joint ventures and/or partnerships with organizations that your directors own and will make use of your CEO's copyright. You do not have Bylaws or a conflict of interest policy.

You are currently funded by your directors. In the future, your goal is to not need funds from your directors, but instead receive funds through grants and donations. You have three directors. of your directors are and your director is a of the .

Supplemental information was requested based on review of your Form 1023.

Your first response shows you amended your AOI to include a proper dissolution clause, and add the statement "organized exclusively for charitable, educational, and scientific purposes, including for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code" to the purpose statement on your original AOI. Additionally, your first response states that the only activities since incorporation are brainstorming, defining vision, research, and interviewing potential team members. The directors are the only people involved and you will adopt Bylaws. The response was incomplete. Thus, we requested additional information.

Your second response provides additional information on some issues, but generally, the response is the same as the first. A future planned activity is to create a website for education of constitutional rights, testimony of your CEO's personal experience, resources, crowd funding, and information for art on a blockchain token. Future activities will be defined and the process created when the Bylaws are created. The response was incomplete. Thus, we requested additional information via a phone call and granted an extension to provide complete information. Complete information was not submitted.

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:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization engage, otherwise than as an insubstantial part of its activities, in activities that 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 which 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) of the regulations provides that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest. To meet this requirement, it is necessary for an organization to establish that it is not organized or operated for private interests.

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.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) defines the term educational as the instruction or training of the individual for the purpose of improving or developing his capabilities or the instruction of the public on subjects useful to the individual and beneficial to the community.

Revenue Procedure 2023-5, 2023-1 IRB 265, Section 3 states that a determination letter or ruling on exempt status is issued based solely upon the facts and representations contained in the administrative record. The applicant is responsible for the accuracy of any factual representations or attestations contained in the application. Section 6 (and its predecessors) provides that a favorable determination letter or ruling will be issued to an organization only if its application and supporting documents establish that it meets the particular requirements of the section under which exemption from federal income tax is claimed.

In Universal Life Church, Inc. v. United States, 372 F. Supp. 770 (E.D. Cal. 1974), the court concluded that “one seeking a tax exemption has the burden of establishing his right to a tax-exempt status.”

Pius XII Academy, Inc. v. Commissioner, T.C. Memo. 1982-97, aft. 711 F.2d 1058 (6th Cir. 1983), held that an organization must establish through the administrative record that it operates as an exempt organization. Denial of exemption may be based solely upon failure to provide information describing in adequate detail how the operational test will be met.

In La Vedda v. Commissioner, 82 T.C. 215 (1984), held that the administrative record did not demonstrate that the organization would operate exclusively in furtherance of an exempt purpose. Therefore, denial of organization’s request for tax-exempt status was reasonable.

New Dynamics Foundation v. United States, 70 Fed. Cl. 782 (2006), was an action for declaratory judgment that the petitioner brought to challenge the denial of his application for exempt status. The court, in finding that the actual purposes displayed in the administrative record supported the Service’s denial, stated “It is well-accepted that, in initial qualification cases such as this, gaps in the administrative record are resolved against the applicant.” The court noted that if the petitioner had evidence that contradicted these findings, it should have submitted it as part of the administrative process. The court also highlighted the principle that exemptions from income tax are matters of legislative grace.

Ohio Disability Association v. Commissioner, T.C. Memo 2009-261 (2009), held that denial is justified because responses to requests for additional information failed to supplement the initial application or clarify purposes and activities, and generalizations did not provide sufficient detail to determine that the organization would be operated exclusively for exempt purposes.

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). Section 501(c)(3) sets forth two main tests for qualification for exempt status. As stated in Treas. Reg. 1.501(c)(3)-1(a)(1), an organization must be both organized and operated exclusively for purposes described in Section 501(c)(3).

You amended your AOI to include language for IRC Section 501(c)(3) purposes; However, your AOI still contains language which does not limit you to one or more exempt purposes and empowers you to substantially engage in activities that in themselves are not in furtherance of one or more exempt purposes. For example, your AOI states you will engage in social activities, and inspire, advocate, and use digital art on blockchain. As a result, you have not satisfied the organizational test described in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i).

You state that your CEO, who you hope to be the first of many who will be helped and supported, would be a beneficiary of funds raised to defend violations as a citizen of the United States. This statement has indications of possible private rather than public interests being furthered or inurement. You did not provide sufficient documentation to establish you are organized and operated for public rather than private interests as provided in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

You did not submit sufficient documentation establishing you are operated exclusively for IRC Section 501(c)(3) purposes. (See Universal Life Church, Pius XII Academy, Inc., La Verdad, New Dynamics Foundation and Ohio Disability Association) You are solely funded by your directors. of your directors are members and the director is a of the . You plan to provide funds to your CEO for legal defense, have joint ventures and/or partnerships with organizations that your directors own, and make use of your CEO's copyright. You did not provide sufficient documentation to establish that no part of the net earnings may inure to the benefit of any private shareholder or individual. Therefore, there is not sufficient documentation to establish that you are exempt from taxation as required by Section 501(c)(3) and Rev. Proc. 2023-5. As in Universal Life Church, you have the burden of establishing that you qualify for tax exemption.

You do not meet the operational test under IRC Section 501(c)(3) because you are not operating exclusively for charitable or educational purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). While you do have some charitable purposes as provided in Treas. Reg. Section 1.501(c)(3)-1(d)(2), and some educational purposes as provided in Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i), you did not provide sufficient documentation to establish that your operations accomplish exclusively charitable or educational purposes.

In Pius XII Academy, Inc., La Verdad, and New Dynamics Foundation, it was established that an organization must establish, through its administrative record, that it meets the requirements for exemption. Because you failed to provide sufficient details in your initial application and subsequent responses provided, you have not established that you meet the requirements for exemption under IRC Section 501(c)(3). As provided in New Dynamics Foundation, any gaps in the administrative record will be resolved against the applicant. Similarly, in

Ohio Disability Association, the court found that even when additional information was provided, but it contained generalizations and failed to clarify purposes, denial is justified. You did not provide detailed supplemental information; therefore, we are unable to determine that you qualify for exemption.

Your position

You submitted an amended Articles of Incorporation.

You submitted new information on your activities. This information mentions you have never distributed funds and goods to individuals and never will to anyone including the CEO. You hired additional directors for a total of and of the have experience in finance, technology, and management. You will not participate in any joint ventures, including partnerships or limited liability companies treated as partnerships, in which it will share profits and losses with partners. You will not make use of your CEO's copyright.

Our response to your position

Your amended Articles of Incorporation still contains language which does not limit you to one or more exempt purposes. It empowers you to substantially engage in activities that in themselves are not in furtherance of one or more exempt purposes. For instance, the Articles of Incorporation states that you will engage in defending human and civil right guaranteed by law – The Constitution of the United States. You will support litigation, communications as well as public education programs. As a result, you have not satisfied the organizational test as described in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i)

You changed some of your activities to address the private interest issue but did not fully explain the activities. You did not explain how you use blockchain and provided no detailed information to explain the selling of art for fundraising.

Conclusion

Based on the information submitted, you have failed to establish that you are organized and operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3). Your AOI does not limit you to one or more exempt purposes and empowers you to substantially engage in activities that in themselves are not in furtherance of one or more exempt purposes. Moreover, you did not provide sufficient documentation to establish that no part of the net earnings may inure to the benefit of any private shareholder or individual and that you benefit public rather than a private interest. Therefore, based on the administrative record, you fail to qualify for exemption under 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