



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

**Date:**  
10/10/2024  
**Employer ID number:**

**Form you must file:**

**Tax years:**  
All

**Person to contact:**

**Release Number:** 202501013  
**Release Date:** 1/3/2025  
**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



Department of the Treasury  
Internal Revenue Service

Date: 07/22/2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

UIL:

501.00-00

501.03-00

501.03-30

**Legend:**

C = Date

D = State

E = Name

F = Name

x dollars = Amount

y dollars = Between amount and amount

z dollars = Amount as member, Amount as a director

Dear Applicant:

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

You attest that you were incorporated on C, in the state of D. 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 educational 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

Your mission on the Form 1023-EZ states that you are supporting the E business community in D and discovering, nurturing, and supporting the next generation of E entrepreneurs.

Detailed information was subsequently requested. You describe your activities as follows:

- You conduct a trade school, which is a -day , to educate, provide sources and inspire the next generation of E American business entrepreneurs and to continue to broaden their network. F members participate to prepare and open the event to gather participants to learn more about you and to gain access to business opportunities and data. The event is held at a different location each year, such as a hotel, college campus or convention center. The participants work on their business startup projects, listen to lectures, and follow the schedule of the event.
- The fees that are charged during the event are the trade school application fees for whoever is attending and participating which helps you cover the costs for the event including dining and lodging.
- You conduct a business seminar regarding different topics for both members and nonmembers interested on personal growth and business ventures. You host the seminars at an F office located in D. The event is free to attend but attendees must apply and register.
- You have an end of year celebration, which is an invitation to all members, to discuss what they have achieved and accomplished throughout the year and to announce new goals for the upcoming year. This event is held in a ballroom or conference room. There are no fees charged for this event but donations and sponsorships can be made.
- You conduct an event that is a friendly get together where all current F next generation members are invited to network, get to know one another, and have socialization through activities. Other F chapters are invited. You split participants in 2 teams; there are 2 activities skiing/snowboarding or hot springs. Each team participates in the activity of their choice. The fee is x dollars per person to cover lodging, event cost and food.

- You conduct a golf tournament. It is an annual tournament and fundraising event where you invite E American business owners and E American society to partake in the tournament and also be sponsors. The participation fee is y dollars.

Your membership criteria differs depending on whether a member is a regular member or a next generation member. To become a regular senior member, the individual must be a F business owner starting from a certain age and up. Next generation members are younger, but not younger than 21. Members are interested in business, entrepreneurship, and international trade.

Your member's services include gaining access to the international F network which is a global network and can receive and gain access to information and intel from you that can help one's own endeavors in business. You provide the service to expand and promote advancement of the global economic community. Regular membership is z dollars. No fees are charged to the next generation members.

Your website described a history remark of your chapter. Your website indicated you provide access to both local and international networking opportunities that help your chapter members with their journey towards economic, social and personal success. You educate the young generation through structure programs such as trade school and to support the community and general members with the trade start-up academy.

#### **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 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(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 described in IRC Section 501(c)(3) unless it serves a public rather than a private interest. Thus, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Revenue Ruling 61-170, 1961-2 C.B. 112, held that an association composed of professional private duty nurses and practical nurses which supported and operated a nurses' registry primarily to afford greater employment opportunities for its members was not entitled to exemption under IRC Section 501(c)(3) because it was serving the private interests of its members.

In St. Louis Science Fiction Limited v. Commissioner, T.C. Memo. 1985-162 (1985), the Tax Court held that a science fiction society failed to qualify for tax-exempt status under IRC Section 501(c)(3). Although many of the organization's functions at its annual conventions (the organization's principal activity) were educational, its overall agenda was not exclusively educational. A substantial portion of convention affairs were social and recreational in nature.

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).

You are not operated in accordance with Treas. Reg. Section 1.501(c)(3)-1(c)(1) because you engage primarily in activities which do not further one or more exempt purposes specified in IRC Section 501(c)(3). The 3-4 day bootcamp and business seminars are primarily to educate, support and promote your members in the operating of their businesses and give them access to global network data. Although, some your activities are educational, which is an exempt purpose under Section 501(c)(3), the facts show that you are primarily operated to support and promote your members in operating their businesses. This serves private interests rather than public interests. See Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

Like the organization described in Rev. Rul. 61-170, which supported and operated a nurses' registry primarily to afford greater employment opportunities for its members, you operate to afford greater opportunities to your members to help them start, sustain, and improve their private businesses.

You hold an end of year celebration for your members to discuss achievements and future goals, you conduct an event where members can bond over skiing/snowboarding or relaxing in hot springs, and you hold an annual golf tournament for your members. These are networking events that involve social and recreational activities for your members. Further, social and recreational activities are part of your day and your business seminars. Social and recreational activities are not furthering exempt purposes under IRC Section 501(c)(3). See St. Louis Science Fiction Limited.

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. See Better Business Bureau of Washington D.C., Inc. You serve the private interests of your members and provide social and recreational activities to them. These activities further substantial non-exempt purposes.

### **Conclusion**

You fail the operational test. You are not operated exclusively for one or more of the exempt purposes specified in IRC Section 501(c)(3). By serving the private interests of your members rather than public interests and by providing social and recreational activities to them, you are furthering substantial non-exempt purposes. Thus, you do not qualify for 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](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