



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

Date:  
10/31/2024  
Employer ID number:

Person to contact:

Release Number: 202504019  
Release Date: 1/24/2025  
UIL Code: 501.00-00, 501.03-00, 501.03-30, 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](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  
Letter 4038



Department of the Treasury  
Internal Revenue Service  
PO Box 2508  
Cincinnati, OH 45201

Date: 09/03/2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

**Legend:**

B = Date

C = State

D = Organization

x percent = percentage

y percent = percentage

z dollars = amount

**UIL:**

501.00-00

501.03-00

501.03-30

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

You attested that you were formed as a corporation on B, in the state of C. You attested that you are organized and operated exclusively to further charitable purposes and that you have not conducted and will not conduct prohibited activities under Section 501(c)(3). Specifically, you attested 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)

Letter 4034 (Rev. 01-2021)  
Catalog Number 47628K

- 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 Form 1023-EZ states you are an association of union representatives that educates and bargains on behalf of its members for wages and better working conditions.

During review of your Form 1023-EZ, detailed information was subsequently requested.

You responded that you enforce and negotiate a collective bargaining agreement with your employer, the D, and educate your membership on the importance of being a member.

X percent of your time is spent enforcing the contract and y percent is spent negotiating the contract. Enforcement of the contract happens daily; negotiations occur approximately every 4-5 years. Your only source of revenue is membership dues in the amount of z dollars deducted weekly from your members' paychecks by the D.

You also submitted copies of Form LM-4, Labor Organization Annual Report, for years 2019 through 2022. Labor organizations that are subject to certain labor laws must file this annual information report with the U.S. Department of Labor. Your forms indicate you were also insured by labor union fidelity bonds for all reported years.

In addition, your Articles of Incorporation, obtained from the C Secretary of State, confirm you were incorporated on B, in C; however, the C Secretary of State shows your incorporation was subsequently forfeited under the C Tax Code. Moreover, your articles state you are an association of representatives that bargain for wages and benefits, with no further limitations placed upon your purposes.

#### **Law**

IRC Section 501(c)(3) provides for the exemption from federal income tax of organizations 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 qualify for exemption under 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 or 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 such organization to one or more exempt purposes in IRC Section 501(c)(3); 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(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) states that an organization is not organized or operated exclusively for exempt purposes unless it serves public rather than private interests.

Treas. Reg. Section 1.501(c)(3)-1(d)(2) provides the term “charitable” is used in IRC Section 501(c)(3) in its generally accepted legal sense and includes relieving the poor and distressed or the underprivileged, combating community deterioration, lessening neighborhood tensions, and eliminating prejudice and discrimination.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) provides that the term “educational,” as used in IRC Section 501(c)(3), relates to 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.

In Revenue Ruling 59-6, 1959-1 C.B. 121, a professional association organized primarily to establish standards of employment concerning apprentices in various skilled crafts, determine the qualifications necessary to become a journeyman, aid in adjusting and settling disputes between the employer and the apprentice, and also cooperate with the local board of education in establishing supplementary classroom instruction pertaining to the apprentice's vocation, had as its main purpose the betterment of conditions of those engaged in the trades governed. Since providing education was not the organization's primary purpose or function, there was no apparent basis for exempting the association as being operated exclusively for educational purposes within the intentment of IRC Section 501(c)(3).

In Rev. Rul. 61-170, 1961-2 C.B. 112, 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). Although the public received some benefit from the organization's activities, the primary benefit of these activities was to the organization's members.

In Rev. Rul. 69-175, 1969-1 C.B. 149, an organization formed by parents of pupils attending a private school to provide school bus transportation for its members' children was found not to be exempt under IRC Section 501(c)(3). It was found in this ruling that when a group of individuals associate to provide a service for themselves, they are serving a private rather than a public interest.

In Rev. Rul. 71-505, 1971-2 C.B. 232, a city bar association that established and enforced standards of conduct for its members, promulgated minimum fee payment schedules, advocated for comparable pay for lawyers in the armed forces, and directed other programs to make the practice of law more profitable for its members was not entitled to exemption under IRC Section 501(c)(3). It was found in this ruling that such activities substantially furthered noncharitable and noneducational purposes within the meaning of Section 501(c)(3).

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. Per 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 fail both the organizational test and the operational test.

You do not meet the organizational test. First, your Articles of Incorporation fail to limit your purposes to those described in IRC Section 501(c)(3), as required by Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i); second, your incorporation was forfeited under state law. Therefore, you are not organized, in any manner, for exempt purposes under Section 501(c)(3).

You do not meet the operational test. You are not operating exclusively for exempt purposes as required by Treas. Reg. Section 1.501(c)(3)-1(c)(1). Your primary activity is enforcing and negotiating a collective bargaining agreement with your employer for your dues-paying members, who are employees of D. This activity is not charitable per Treas. Reg. Section 1.501(c)(3)-1(d)(2) or educational per Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i).

Like the organizations in Rev. Rul. 59-6 and Rev. Rul. 71-505, you have substantial noncharitable and noneducational purposes and activities and, therefore, are not operated exclusively for exempt purposes. You are registered as a labor organization with the U.S. Department of Labor; as such, you have a limited membership that does not represent a charitable class; your contract negotiations and enforcement do not further charitable or educational purposes; and, thus, your weekly dues are not used for charitable or educational purposes. Therefore, you do not operate within the meaning of IRC Section 501(c)(3).

Further, you are not formed for a public interest as required by Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii). Instead, like the organizations in Rev. Rul. 61-170 and Rev. Rul. 69-175, you are formed to serve the private interests of your dues-paying members by negotiating and enforcing a collective bargaining agreement with D. Thus, you are precluded from exemption under IRC Section 501(c)(3).

Finally, you are like the organization in Better Business Bureau of Washington, D.C., Inc. because you have a more than insubstantial, non-exempt purposes, i.e., serving the private interests of your members. Thus, you are not operating exclusively for exempt purposes within the meaning of IRC Section 501(c)(3), and your claim to exemption is destroyed.

**Conclusion**

Based on the information submitted, you do not qualify for exemption under IRC Section 501(c)(3) because you are not organized or operated for exclusively exempt purposes. By furthering the private interests of your members, you are operating for a substantial non-exempt purpose and, therefore, do not qualify for exemption.

**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