



Department of the Treasury
Internal Revenue Service
Independent Office of Appeals
100 First Street
Suite 2000
San Francisco, CA 94105

Release Number: 202507012
Release Date: 2/14/2025
UIL CODE: 501.06-00, 501.06-01

Date: NOV 20 2024

Form:
1024 Application for Recognition of
Exemption

Tax periods ended:
na

Person to contact:
Name:
Employee ID Number:
Phone:

Employer ID number:

Certified Mail

Dear :

Why you are receiving this letter

This is a final adverse 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)(6).

We made the determination for the following reasons:

The Taxpayer does not qualify for tax-exempt status as an organization described in Section 501(c)(6) of the Code because the Taxpayer was organized and operated to promote software versus promoting a line of business and because the Taxpayer performed particular services for individuals, including advertising services and providing educational materials

You've waived your right to contest this determination under the declaratory judgment provisions of IRC Section 7428 by your execution of Form 906, Closing Agreement Covering Specific Matters, an executed copy of which is being sent to you under separate cover.

After removing identifying information, this letter and the previously sent proposed adverse determination letter will be made available for public inspection under IRC Section 6110.

In a separate mailing to you, we provided Letter 437, Notice of Intention to Disclose. Please review Letter 437 and the attached documents describing our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Letter 437.

If you have questions, contact the person at the top of this letter.

Sincerely,

Valeria B Farr
Appeals Team Manager

Enclosures:
IRS Appeals Survey

cc:



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

Date: 05/22/2023

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

M = Date

N = State

S = Organization 1

T = Organization 2

UIL:

501.06-00

501.06-01

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)(6). 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)(6)? No, for the reasons stated below.

Facts

You were formed on M in N. Your Articles of Incorporation state your purposes are to provide resources, support and education for the development and benefit of the T protocol, ecosystem, and community.

Your application Form 1024 states you are funded by grants from S. S is an organization committed to advancing the T community and T blockchain. The T blockchain is an open-source platform available for any user to learn to use through training provided by you and other similar organizations.

Your mission is to promote the T blockchain ecosystem open-source software by providing resources to various communities all over the world with financial, educational, and technical support. You helped communicate needs to developers regarding the community in need via publications which included new developments delivered through social media channels. You indicated that your methods of communication helped members with limited financial resources to publicize and promote their creations. You gave every builder a voice in the T blockchain ecosystem open-source software, and you furnished free educational materials and helped develop free educational courses to teach the T blockchain ecosystem open-source software. You provided small grants to various community leaders and funded open-source projects which were impactful in promoting the T blockchain ecosystem open-source software.

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

You stated your common business interest is to have more people use the T blockchain ecosystem open-source software because their businesses are built using this software. You advocate and teach community members who already use this system to become better advocates. You directly improve your members' business conditions by bringing them more potential customers and create open dialogue on best practices of how to use this software and any ethical concerns. You provide free educational materials on how to build, use and interact with this software. You strongly advocate for the T open-source software ecosystem because your members' business interests heavily target these users who do and do not use it. You advocate for the entire T open-source software ecosystem.

You have a chapter/ambassador program which helps you identify leaders, and you provide them with the necessary resources (educational, financial, and technical) to host events in their communities to promote the T blockchain ecosystem open-source software. Every community has different wants and needs so you empower local community leaders to build and expand the T blockchain ecosystem open-source software one community at a time. No matter the location, anyone can join the open-source software community because you have no geographical limitations. You will continue to identify community leaders all over the world to build chapters that promote the T blockchain ecosystem open-source software.

You help each T community with communication needs. You bridge the communication gaps with the communities by having developer teams attend to the needs of each community. You help alleviate the navigation hurdle of communication for newcomers of the T blockchain ecosystem open-source software through publishing new developments via social media channels, publishing weekly articles on various sites, podcasts and talk radio, that are distributed throughout each community. This promotes your stated non-profit activity by helping those with limited financial resources publicize and promote their creations, to bridge the communication gap, and to give every builder a voice in the T blockchain ecosystem open-source software.

You promote the T blockchain ecosystem open-source software by building communities that rely on this software. They use various applications that are created such as decentralized applications, games, art, finance, and technical products. When community members and leaders build or create such items as these that utilize the T blockchain ecosystem open-source software, you help promote members' creations through advertisements, social media channels, and in-depth articles that talk about these products. You further help promote these products by making it known that this software is used for these creations via your weekly publicized newsletter. You support various hackathons to help promote T blockchain ecosystem open-source software. You incubate new creations that take place on the T blockchain ecosystem software. You also provide free T clothing, digital material, including high resolution logos, and promotional material to all community members. This activity helps those who may not have the financial resources to publicize or promote their own creations. It bridges the communication gap and gives every builder a voice in the T software.

Law

IRC Section 501(c)(6) provides exemption from federal income tax for business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues, (whether or not they administer a pension fund for football players), not organized for profit and no part of the net earnings, of which, inures to the benefit of any private shareholder or individual.

Treasury Regulations Section 1.501(c)(6)-1 states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in

a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of a particular service for individual persons. An organization, whose purpose is to engage in a regular business of any kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

Revenue Ruling 56-65, 1956-1 C.B. 199, holds that a local organization whose principal activity consists of furnishing particular information and specialized individual services to its individual members engaged in a particular industry, through publications and other means to effect economies in the operation of their individual businesses, is performing particular services for individual persons. Such organization is not entitled to exemption under Section 501(c)(6) of the Code as a business league, even though it performs functions that are of benefit to the particular industry and the public generally.

Revenue Ruling 64-315, 1964-2 C.B. 147 An association of merchants whose businesses constitute a shopping center expends its funds and engages exclusively in advertising in various newspapers and on television and radio in order to attract customers to the shopping center. This advertising contains the names of member merchants and their merchandise. Held, the organization is not entitled to exemption from Federal income tax as an organization described in section 501(c)(6).

In Bluetooth SIG, Inc. v. United States, 611 F.3d 617 (9th Cir. 2010), the Ninth Circuit Court of Appeals held that an association that owned and marketed a wireless networking protocol and trademark was not exempt under I.R.C. § 501(c)(6) because it engaged in a business ordinarily conducted for profit, it did not improve the conditions of one or more lines of business, and it provided particular services for members.

Application of law

You are not described in IRC Section 501(c)(6) because you are primarily organized and operated to promote the T blockchain open-source software versus promoting a line of business. You aim to have people using the T blockchain software and in doing so conduct activities to promote, teach and improve members already operating your product. Further, your Articles of Incorporation state in part that your purposes "are to provide resources, support and education for the development and benefit of the T protocol, ecosystem and community". You are not described in Treas. Reg. Section 1.501(c)(6)-1 because you are primarily conducting activities to promote the T blockchain ecosystem open-source software instead of improving a line of business.

You are similar to the organization described in Revenue Rulings 56-65 in that you serve the private interests of your members by performing particular services for them such as advertising their creations through your social media channels and your weekly newsletter, providing free educational materials on how to build, use and interact with the T blockchain open-source software ecosystem, and attending events to advocate for this system. An organization that furnishes particular information and specialized individual service to its members through publications and other means to effect economies in the operation of their individual businesses is performing particular services to its members rather than directing your activities to the improvement of business conditions of a particular industry as a whole.

Further, you are promoting members creations through advertising/promotion and social media. Although this is not your sole activity, advertising that carries the names of members generally constitutes the performance of

particular services for members. See Revenue Ruling 64-315, when advertising contained the names of member merchants the organization was found to not qualify under IRC Section 501(c)(6).

You are similar to the organization in Bluetooth SIG, Inc. v. United States, Inc., because your activities do not improve the business conditions of one or more lines of business in any community. Instead, you serve the private interests of your members and perform particular services for them by advocating and promoting the T software. Your activities promote the T blockchain ecosystem open-source software by building communities that rely on this software – those that have built with and use your software learn how to better operate their businesses through your activities versus the improvement of business conditions as a whole.

Conclusion

Your activities are not directed to the improvement of business conditions of one or more lines of business, or any other purpose defined in IRC Section 501(c)(6). Your activities consist of rendering particular services to members. Therefore, you fail to qualify under Section 501(c)(6).

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

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements