Department of the Treasury
Internal Revenue Service
Appeals Office
2525 Capitol Street, MS 201
Fresno, CA 93721

Number: **201927022**
Release Date: 7/5/2019

Date: APR 11 2019

Person to contact:
Name:
Employee ID number:
Telephone:
Fax:

Employer ID number:

Uniform issue list (UIL):
UIL: 501.03-00
501.03-30

Certified Mail

Dear

This is a final adverse determination that you do not qualify for exemption from federal income tax under Internal Revenue Code (the "Code") Section 501(a) as an organization described in Section 501(c)(3) of the Code.

We made the adverse determination for the following reasons:

Organizations described in I.R.C. section 501(c)(3) and exempt under section 501(a) must be both organized and operated exclusively for exempt purposes. You have not demonstrated you are organized and operated exclusively for exempt purposes as required by Treasury Regulation 1.501(c)(3)-1(b).

You're required to file federal income tax returns on Forms 1120, U.S. Corporation Income Tax Return. Mail your form to the appropriate Internal Revenue Service Center per the form's instructions. You can get forms and instructions by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676).

We'll make this letter and the proposed adverse determination letter available for public inspection under Section 6110 of the Code after deleting certain identifying information. We provided to you, in a separate mailing, Notice 437, Notice of Intention to Disclose. Please review the Notice 437 and the documents attached that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437.

If you decide to contest this determination, you can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. Contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment. You can write to the courts at the following addresses:

United States Tax Court	US Court of Federal Claims	US District Court for the District of Columbia
400 Second Street, NW	717 Madison Place, NW	333 Constitution Avenue, NW
Washington, DC 20217	Washington, DC 20005	Washington, DC 20001

Note: We will not delay processing income tax returns and assessing any taxes due even if you file a petition for declaratory judgment under Section 7428 of the Code.

Please refer to the enclosed Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status, for more information about the Appeals process.

You also have the right to contact the Taxpayer Advocate Service (TAS). 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 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.

TAS assistance is not a substitute for established IRS procedures, such as the formal appeals process. TAS cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States Court.

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

Sincerely,

Appeals Team Manager

Enclosures:
Publication 892

cc:

Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Date:
April 30, 2018
Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:
B = date
C = ethnicity
D = continent

UIL:
501.03-00
501.03-30

Dear :

We considered your application for recognition of exemption from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). Based on the information provided, we determined that you don't qualify for exemption under Section 501(c)(3) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

Issues
Do you qualify for exemption under Section 501(c)(3) of the Code? 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 X. You listed your date of incorporation as B.

You attested that you have a necessary organizing document that limits your purposes to one or more exempt purposes within the meaning of 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 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)
- 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

Detailed information was requested supplemental to the above attestations. We provided you a copy of your organizing document and prints from your website that you verified as accurate. Your organizing document does not contain a purpose or dissolution clause. You were asked to provide a description of your activities and actual and projected revenues and expenses.

Information on your website indicates you have been operational prior to your incorporation as a nonprofit corporation. Your mission states you are formed to foster the growth, creation and development of successful business enterprises owned, operated, and managed by C and people of D descent. You seek to provide empowerment and business development opportunities for C and people of D descent through your city. You will serve as a voice for small businesses, using their collective power to influence events politically and socially at all levels. Your long-term goal is to end disfranchisement of C residing in your city. Your primary focus is seeing minority and women-owned businesses in your city succeed. You also want to expose young adults to entrepreneurship.

You hold workshops, conferences and events to provide networking opportunities for your members and other minority-owned business owners. You plan to provide financial assistance to entrepreneurs to help with the costs associated with starting businesses. Your activities are aimed at women and C-owned businesses.

You keep your members informed of policies and legislation that impact their businesses and the community. You will contact local, state and federal representatives to advise them of issues and challenges affecting businesses in your area. You will also invite them to speak at your various events to discuss policies and political issues that impact your members. You do not endorse any candidates nor influence your members to vote for any candidate but you do encourage your members to vote.

You are the central organization which minority-owned businesses can use to network, share resources and empower each other. You have conducted extensive research into surveying minority business owners and tracking trends to create benefits that will help them grow their businesses. You offer several levels of membership that are guaranteed to help members reach their business goals. Benefits to the student and young professional members ages 30 years and below include a t-shirt, career mentoring, job shadowing opportunities, complementary resume review and mock interview sessions. Your basic membership benefits include unlimited networking opportunities, promotions on your Facebook page, marketing and vending opportunities at all your events, discounts on all your sponsored events and seminars and classes, and eligibility for industry awards. Higher level of membership benefits includes complimentary business consultation and mentoring, health insurance benefits including medical, dental and life insurance, discounts on advertising in the magazine, complimentary branding, advertising and marketing consultation, business spotlights, placement on your business referral list, prime vending and marketing opportunities at your events, unlimited networking opportunities, opportunities to be include in listings for business opportunities, contacts and information to grow their businesses.

Your anticipated income sources include membership dues, events, seminar/workshops and grants. Your expenses include facilitators/contract fees, administrative costs, printing and reproduction, marketing, professional development, travel and miscellaneous.

Law

Section 501(c)(3) of the Code describes corporations organized and operated exclusively for charitable purposes no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that, for an organization to be exempt under Section 501(c)(3) of the Code, it 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)(iv) provides that in no case shall an organization be considered organized exclusively for one, or more exempt purposes, if, by the terms of its articles, the purposes for which such organization is created are broader than the purposes specified in Section 501(c)(3) of the Code.

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 such exempt purposes specified in section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Revenue Ruling 59-3, 1959-1 C.B. 121 describes a professional association that was not entitled to exemption under Section 501(c)(3) of the Code because its educational program was only an incidental part of its total activities. It had as its principal purpose the professional advancement of its membership.

Revenue Ruling 71-504, 1971-2 C.B. 231 describes an organization exempt under Section 501(c)(6) of the Code that primarily directed its activities to the promotion of the common business purposes of its members. The organization could not be reclassified as an organization described in Section 501(c)(3). It activities included: providing patient referral services; maintaining a grievance committee; establishing a legislative committee; holding meetings concerned with matters affecting the promotion and protection of the practice of medicine; and conducting a public relations program to enhance and improve the public image of the medical profession. The activities were directed primarily at the promotion of the medical profession and thus further the common business purpose of its members. It was held that the presence of a single noncharitable or noneducational purpose, if substantial in nature, precluded exemption under Section 501(c)(3) regardless of the number or importance of truly charitable or educational purposes.

In Better Business Bureau v. United States, 326 U.S. 278 (1945), the court held that an organization is not operated exclusively for charitable purposes, and thus will not qualify for exemption under Section 501(c)(3) of the Code, if it has a single non-charitable purpose that is substantial in nature. This is true regardless of the number or importance of the organization's charitable purposes.

Application of law

You are not described in Section 501(c)(3) of the Code because you are not organized and operated exclusively for charitable or educational purposes. You fail to meet the organizational and operational tests and therefore do not qualify for exemption per Treas. Reg. Section 1.501(c)(3)-1(a)(1).

Your organizing document does not contain the required purpose and dissolution provisions necessary to meet the organizational test under Section 501(c)(3) of the Code and Treas. Reg. Section 1.501(c)(3)-1(b)(1)(iv).

Although you offer seminars, workshops, forums and conferences geared towards women and minorities in business and provide education for people who wish to enter business and entrepreneurship discussed in your recent correspondence, you also offer various benefits to your members. Benefits include unlimited networking opportunities, marketing and vending opportunities, contacts and information to grow businesses, discounts on advertising in a magazine and directory listing, Facebook promotions, prime placement on your business referral list, business spotlight on Facebook and on a radio station, complimentary marketing, branding, and advertising and consultation to your members, health insurance benefits including medical, dental and life insurance and featured articles in the magazine and business directory. While certain incidental benefits are allowable to either organizational members or the public in terms of what could be considered private benefit, the benefits derived from your members exceed this level. More than an insubstantial part of your activities is devoted to promoting your members' businesses and providing them with services. Therefore, you are not operated exclusively for purposes described in Section 501(c)(3) of the Code because you are not described on Treas. Reg. Section 1.501(c)(3)-(1)(c)(1).

Similar to the organizations described in Rev. Rul. 59-6 and 71-504, your activities are not limited to being exclusively educational. Your purpose is aligned more towards professional advancement of your members than being exclusively educational. Your activities are directed more towards helping your member businesses succeed through their promotion instead of merely educating members on business practices. As you engage in a substantial amount of nonexempt activities this precludes you from being described as an organization in Section 501(c)(3) of the Code. Further, like the organization described in Better Business Bureau v. United States, because you have a substantial amount of non-exempt activities you do not qualify under Section 501(c)(3).

Conclusion

Based on the above, we find that you are not organized and operated for exempt purposes within the meaning of section 501(c)(3) of the Code. Specifically, you do not meet the organizational and operational test for exemption under Section 501(c)(3).

If you don't agree

You have a right to file a protest if you don't agree with our proposed adverse determination. To do so, you must send a statement to us within 30 days of the date of this letter. The statement must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with
- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative

- One of the following declarations:

  For an officer, director, trustee, or other official who is authorized to sign for the organization:
  Under penalties of perjury, I declare that I examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

  For authorized representatives:
  Under penalties of perjury, I declare that I prepared this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts 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 he or she hasn'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 provided a basis for us to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't provided a basis for reconsideration, we'll forward your case to the Office of Appeals and notify you. You can find more information about the role of the Appeals Office in Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status.*

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

Where to send your protest
Please send your protest statement, Form 2848, if needed, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Room 7-008
P.O. Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You can also fax your statement 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 he or she received it.

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.

You can find all forms and publications mentioned in this letter on our website at www.irs.gov/formspubs. If you have questions, you can contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892