



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

Number: **201931012**
Release Date: 8/2/2019

Date:
May 6, 2019
Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

UIL: 501.00-00, 501.03-30

Dear :

This letter is our final determination that you don't qualify for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (the Code). 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 Section 501(c)(3) of the Code, donors can't deduct contributions to you under Section 170 of the Code. You must file federal income tax returns for the tax years listed at the top of this letter using the required form (also listed at the top of this letter) within 30 days of this letter unless you request an extension of time to file.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection (as required under Section 6110 of the Code) after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Notice 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

We'll also notify the appropriate state officials of our determination by sending them a copy of this final letter and the proposed determination letter (under Section 6104(c) of the Code). You should contact your state officials if you have questions about how this determination will affect your state responsibilities and requirements.

If you have questions about this letter, you can contact the person listed at the top of this letter. If you have questions about your federal income tax status and responsibilities, call our customer service number at 1-800-829-1040 (TTY 1-800-829-4933 for deaf or hard of hearing) or customer service for businesses at 1-800-829-4933.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4036, *Proposed Adverse Determination Under IRC Section 501(c)(3)*

Redacted Letter 4038, *Final Adverse Determination Under IRC Section 501(c)(3) - No Protest*



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

Date:
March 12, 2019
Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

C = Date
D = State

UIL:

501.00-00
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 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*. You attested on Form 1023-EZ that you are organized and operated exclusively to further charitable and educational purposes. You also attested that you have not conducted and will not conduct prohibited activities under Section 501(c)(3) of the Code.

The description of your activities provided in your application states that you were formed to activate a diverse and collaborative group of nonprofit leaders, and to develop them into effective changemakers to connect and advance the local community.

During review of your Form 1023-EZ, detailed information was requested supplemental to your attestations.

You are a corporation formed on C. We obtained, and shared with you, a filed copy of your organizing document from the D Secretary of State's website. Your organizing document, Articles of Incorporation, does not limit your purposes to one or more exempt purposes within the meaning of Section 501(c)(3) of the Code and does not prohibit you from engaging in activities that are not in furtherance of one or more exempt purposes.

Your Articles of Incorporation states that you are formed to support the development of young professionals working in the public sector in particular geographic region of D. The activities you conduct in furtherance of these purposes include professional development training, networking and social events, and non-partisan advocacy.

You are a membership organization. Your members primarily consist of young, nonprofit professionals who have five years or less experience in the nonprofit sector. However, you state your activities are open to the public. No membership fees are currently charged.

Your professional development will include training to improve skill sets necessary for individuals developing their career trajectories in nonprofit sectors and to help advance the careers of your members, such as assistance with resumes and skill training presentations. You describe your networking and social events as informational meetings and social gatherings set to foster connections among your members of all different types of backgrounds. Your professional and social networking activities generally occur at least once per month.

Your non-partisan advocacy activities are geared toward ensuring that working in the nonprofit sector is a viable career path for your current and potential members.

You have indicated that percent of your total time will be spent on your members' professional development, percent will be spent on networking and social events, and percent will be spent on advocacy.

Law

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations organized and operated exclusively for educational purposes.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) states that to be exempt as an organization described in Section 501(c)(3) of the Code 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 will be regarded as "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 and do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which 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 that accomplish one or more of such exempt purposes specified in 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.

In Revenue Ruling 68-504, 1968-2 CB 211, a nonprofit organization formed and operated to conduct an educational program for bank employees in an urban area qualifies for exemption under Section 501(c)(3) of the Code. It also publishes a professional magazine containing items of interest and assistance to the members and conducts occasional social affairs to stimulate interest in its educational program. The social affairs involve an insubstantial part of the organization's activities.

Rev. Rul. 77-366, 1977-2 C.B. 192, provides that a nonprofit organization that arranges and conducts winter-time ocean cruises during which activities to further religious and educational purposes are provided in addition to extensive social and recreational activities is not operated exclusively for exempt purposes and does not qualify for exemption under Section 501(c)(3) of the Code. In addition to the usual cruise activities, the

programs conducted on each cruise include a schedule of lectures, discussion groups, and special interest workshops on religious topics, at which attendance is not required. The organization accomplished both charitable and non-charitable purposes through its cruises.

In Better Business Bureau of Washington, D.C., Inc v. United States, 326 U.S. 279 (1945), states that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number and importance of truly exempt purposes.

Application of law

Section 501(c)(3) of the Code and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests to qualify for exempt status. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). You have failed to meet both requirements, as explained below.

Your Articles of Incorporation do not limit your purposes to exclusively Section 501(c)(3) purposes. As a result, you have not satisfied the organizational test required by Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i).

You indicated that you will spend percent of your time planning and hosting networking and social events. Treas. Reg. Section 1.501(c)(3)-1(c)(1) provides an organization will not be regarded as exempt under Section 501(c)(3) or "operated exclusively" for one or more exempt purposes if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. Your social events are a substantial part of your overall activities. Therefore, you have not satisfied the operational test.

You are distinguishable from the organization described in Rev. Rul. 68-504 because your social and networking activities are a substantial part of your overall activities. While you do appear to be providing some form of instruction to your members, your social activities are substantial. Therefore, despite any educational purpose you may plan to achieve, your operations do not exclusively further Section 501(c)(3) purposes.

You are similar to the organization described in Rev. Rul. 77-366. Like this organization, while you may conduct some educational activities, you have extensive social and networking activities that are not consistent with the purposes described under Section 501(c)(3) of the Code.

As with the case of the Better Business Bureau of Washington D.C., Inc., the furtherance of substantial non-exempt purposes preclude exemption under Section 501(c)(3) of the Code. Your social and networking activities account for 40 percent of your time and efforts. Because of these substantial non-exempt activities, you are precluded you from qualifying for exemption under Section 501(c)(3) of the Code.

Conclusion

Based on the information provided, you do not qualify for exemption because you are neither organized nor operated for exclusively for exempt purposes described in Section 501(c)(3) of the Code. Your organizing document does not satisfy the organizational test. While you may conduct some educational activities, your networking and social events represent substantial, non-exempt activities. Therefore, you do not 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 Decision 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
P.O. 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