



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

Date:  
02/18/2025  
Employer ID number:  
  
Person to contact:

Release Number: 202520011  
Release Date: 5/16/2025  
UIL Code: 501.03-00, 501.03-30,  
501.03-33, 501.35-00, 501.36-01

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:  
11/27/2024  
Employer ID number:

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

**Legend:**

B = Date  
C = State  
O = Organization  
P = Identity  
Q = Program  
R = Application  
d percent = percent  
e percent = percent  
f percent = percent  
g percent = percent

**UIL:**

501.03-00  
501.03-30  
501.03-33  
501.35-00  
501.36-01

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)(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 were incorporated on B in the State of C. Your Articles of Incorporation state your purpose is building sustainable, high growth, next generation P owned technology. You educate and assist P owned technology companies with resources to help them grow. In the event of dissolution, after meeting your obligations, net assets will be distributed to a tax-exempt non-profit organization.

You provide support to P owned businesses across the country to work together within the hyperscalers ecosystems. You empower P micro and small business owners in the technology sector. You accomplish this through an accelerator program created in partnership with O and R that helps entrepreneurs scale their businesses. The selection criteria for participation in your accelerator program includes businesses owned and operated by P candidates, their current and projected revenues and level of relationship with O. The program is

free of charge to your members. It gives participants access to information and resources to help increase the ability of tech entrepreneurs to grow while navigating the changing business landscape. This activity is funded by donations. You spend d percent of your time and resources on this program.

You hold the Q conference annually to give exposure to P owned businesses. This event is funded by donations and sponsorships. You spend e percent of your time and resources on this activity.

You hold monthly educational and networking events that create the opportunity for P owned businesses to meet influential people and organizations. You dedicate f percent of your time and resources to this program. This activity is funded by donations and sponsorships.

You are developing a directory for your community to facilitate networking, mentorship, and partnership opportunities among your members. This activity is funded by donations and sponsorships. You spend f percent of your time and resources on this program.

Finally, you host, on a quarterly basis, a happy hour event that promotes networking among members and provides a support system to discuss challenges and solve problems. This activity takes g percent of your time and resources. Your main sources of revenues are donations and sales receipts from events. You also receive events and directory sales revenues.

Your short-term goals are to increase your members' revenues, reduce friction between members and O sellers, provide training and support to accelerate the previous goals, deliver programs and support to help partners capitalize on the market potential of AI, and create local chapters in the U.S. and abroad, in order to promote economic empowerment and social justice for underrepresented communities through entrepreneurship and technology.

## **Law**

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for religious, charitable, educational, or other exempt 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 be 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 the 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:

- a) Limit the purposes of such organization to one or more exempt purposes; and
- b) 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(b)(4) provides that an organization's assets must be dedicated to an exempt purpose, either by an express provision in its governing instrument or by operation of law.

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 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 exempt purposes unless it serves a public rather than a private interest. To meet this requirement, an organization must 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 72-369, 1972-2 C.B. 245, held that an organization formed to provide managerial and consulting services at cost to unrelated exempt organizations does not qualify for exemption under IRC Section 501(c)(3). The organization's receipts are from services rendered and disbursements for operating expenses. An organization is not exempt merely because its operations are not conducted for producing profit. To satisfy the operational test, the organization's resources must be devoted to purposes that qualify as exclusively charitable within the meaning of Section 501(c)(3) and applicable regulations.

Rev. Rul. 74-587, 1974-2 C.B. 162, held that an organization that devoted its resources to programs to stimulate economic development in economically depressed, high density, urban areas, inhabited mainly by low-income minority, or other disadvantaged groups, qualified for exemption under IRC Section 501(c)(3). The organization made loans and purchased equity interests in businesses unable to obtain funds from conventional sources. The organization established that its investments were not undertaken for profit or gain, but to advance its charitable goals.

Rev. Rul. 76-419, 1976-2 C.B. 146, held that an organization that encourages businesses to locate new facilities in an economically distressed area, in order to provide more employment opportunities for low-income residents in the area, was organized and operated exclusively for charitable purposes. The organization's activities serve not only to relieve poverty but also to lessen neighborhood tensions caused by the lack of jobs and job opportunities in the area. And by creating an industrial park out of a blighted area, the organization is also combating community deterioration.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that an organization qualifying for exemption under IRC Section 501(c)(3) must be exclusively devoted to furthering Section 501(c)(3) purposes and the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes.

### **Application of law**

IRC Section 501(c)(3) sets forth two main tests for qualification for 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 IRC Section 501(c)(3). You fail both the organizational test and the operational test.

As described in Treas. Reg. Sections 1.501(c)(3)-1(b)(1)(i) and 1.501(c)(3)-1(b)(4), you do not meet the organizational test under IRC Section 501(c)(3) because your organizing document does not limit your purposes or dedicate your assets to one or more exempt purposes. Although your organizing document states you will distribute your assets upon dissolution to a tax-exempt non-profit organization, you fail to specify under which

paragraph of the Internal Revenue Code said organization must be federally tax-exempt; therefore, your assets are not appropriately dedicated to exempt purposes under Section 501(c)(3).

You also fail the operational test because your mission to build sustainable, high growth, next generation P owned technology businesses does not exclusively further exempt purposes. Under IRC Section 501(c)(3), an organization is required to operate exclusively for exempt purposes to qualify for exemption. Exclusivity with respect to Section 501(c)(3) does not mean “solely” or “without exception” but rather contemplates that any non-exempt activities be only incidental and less than substantial, according to Treas. Reg. Section 1.501(c)(3)-1(c)(1).

Based on the facts presented, your primary purpose is to be a strategic driver of growth and development for P owned micro and small technology businesses in the O partner ecosystem. Thus, you serve the private interests of your members rather than the public interest, which is contrary to the provision described in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii). Because you spend the majority of your time and resources on program development, partner engagement, and community recruitment programs for your members, you operate for their private interests, not the public interest.

You are similar to the organization in Rev. Rul. 72-369 in that your activities are not dedicated to furthering exclusively exempt purposes within the meaning of IRC Section 501(c)(3). Like that organization, your activities are not conducted for producing profits, but that fact alone does not qualify an organization for exemption under Section 501(c)(3). To satisfy the operational test, an organization’s resources must be dedicated to exclusively exempt purposes. By accelerating the growth of P-owned technology businesses through such activities as mentorship and coaching, you are committed to building high performance, community-focused, sustainable businesses, which does not further exclusively exempt purposes.

Unlike the organizations in Rev. Rul. 74-587 and Rev. Rul. 76-419, you are committed to building high performance, community focused, sustainable P owned businesses of, and for, your members located in chapters throughout the U.S. and abroad; therefore, your activities are not exclusively directed at stimulating economic development in socioeconomically depressed areas in order to relieve poverty, combat community deterioration, or lessen neighborhood tensions. You help your members grow their businesses and increase their revenues through such activities as mentoring, coaching, and even selling a business directory to the public, all of which further the private interests of your members, and none of which further exclusively exempt purposes under IRC Section 501(c)(3).

In addition, the selection criteria for your accelerator program includes whether candidates have a high potential for business growth and expansion within the O ecosystem, as demonstrated through revenue projections and their relationship level with O. This selection criteria indicates you serve not only the private interests of your members but also those of your partners and yourself as well. Success stories originating from your accelerator program give you a competitive advantage over similar organizations in terms of recruiting new members, establishing new partnerships and expanding existing ones, and even generating positive publicity to secure additional sources of funding for your organization—none of which are designed to further exclusively exempt purposes under IRC Section 501(c)(3).

Finally, as described in Better Business Bureau of Washington, D.C., Inc., the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption, regardless of the number or importance of truly exempt purposes. While your activities may provide your members with opportunities to expand their

business acumen or promote social justice for underrepresented communities through entrepreneurship and technology, these are merely incidental to your primary purpose of ensuring the successful growth and expansion of your members' businesses within the O partner ecosystem, which does not further exclusively exempt purposes under IRC Section 501(c)(3) for the reasons stated above.

### **Conclusion**

Based on the facts and analysis above, you do not qualify for exemption under IRC Section 501(c)(3). You operate for the substantial non-exempt purpose of building sustainable, high growth, next generation P owned technology businesses; therefore, you serve the private interests of your members, not the public interest. Thus, you fail to qualify for exemption under IRC Section 501(c)(3), and donations made to you are not tax deductible.

### **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