



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

Date:
02/27/2025
Employer ID number:

Form you must file:
1120
Tax years:
All
Person to contact:

Release Date: 202521023
Release Date: 5/23/2025
UIL Code: 501.03-00,
501.03-19, 501.33-00

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.

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
Redacted Letter 4038



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

Date:
01/08/2025
Employer ID number:

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

Legend:

X = Date of Formation
Y = State of Formation
Z = Cities

UIL:

501.03-00
501.03-19
501.33-00

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 attest that you were incorporated on X, in the state of Y. You attest that you have the necessary organizing document, that your organizing document limits your purposes to one or more exempt purposes within the meaning of IRC 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 IRC Section 501(c)(3).

You attest that you are organized and operated to foster national and international competition. You attest that you have not conducted and will not conduct prohibited activities under IRC Section 501(c)(3). Specifically, you attest 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

Your Form 1023EZ states you are utilized for the sole purpose of recruiting, training, and assigning officials to officiate basketball games in elementary, middle, and high schools in the Z area.

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

You explained you are a membership organized comprised of basketball officials who pay annual dues. Your primary activity is assigning your member officials based on their experience and qualifications to officiate youth basketball games for local school districts. You contract with these school districts who will pay your member officials directly as independent contractors.

You pay an assignment secretary as an independent contractor to assign members to games based on their availability and qualifications. More experienced officials and those with multiple certifications receive higher pay. School districts determine the pay based on the level of play.

You explained that you conduct educational activities to ensure member officials have a comprehensive understanding of the rules and regulations of the game. These activities include study and rules interpretation sessions, as well as testing to assess understanding, interpretation, and application. The goal of this process is fairness and consistency. You also ensure that each member meets physical fitness requirements as well as demonstrates effective communication skills, is proficient in pre-game preparation, and is proficient in post-game video analysis. Your activities encourage prompt, decisive decisions in games, maintain the integrity of the game, and ensure the games flow smoothly. This results in a safe and enjoyable environment for all participants.

Your primary source of income is from membership dues. You also receive fees from scrimmage games and camp fees. Over half of your expenses is payment to the assignment secretary. Other expenses include an opening season member's dinner and meeting, an end of season banquet, and a stipend for your treasurer.

Your Secretary of State's website listed you as "forfeited existence". We sent you a copy of this and you have yet to address it.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are 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. This also includes organizations which are organized and operated exclusively to foster national or international amateur sports competition.

IRC Section 501(j)(2) defines a "qualified amateur sports organization" as an organization organized and operated exclusively to foster national or international amateur sports competition if it is also organized and operated primarily to conduct or to support and develop amateur athletes for national or international competition in sports.

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)(iv) states that the organizational test must be met by the creating document or state law. It cannot be met by oral representations or representations made in other documents.

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 operated exclusively for exempt purposes unless it serves a public rather than private interest.

Revenue Ruling 61-170, 1961-1 C.B. 112, holds that 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 Section 501(c)(3) of the Code. Although the public received some benefit from the organization's activities, the primary benefit of these activities was to the organization's members.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 179 (1945), the Supreme Court held that 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. Furthermore, the Court also held that once a substantial non-exempt purpose is established, it is unnecessary to determine an exempt purpose because exemption is precluded.

Application of law

IRC Section 501(c)(3) sets forth two main tests for qualification for exempt status. As stated in Treas. Reg. 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 tests.

You do not meet the organizational test under IRC Section 501(c)(3).

Your state, Y, lists you as "forfeited existence." This illustrates you are not legally formed in your state. Subsequently, you do not meet Treas. Reg. Section 1.501(c)(3)-1(b)(1)(iv) and therefore fail the organizational test under IRC Section 501(c)(3).

You do not meet the operational test under IRC Section 501(c)(3).

Treas. Reg. Section 1.501(c)(3)-1(c)(1) provides that an organization will not be regarded as exempt under IRC 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 primary activity is providing member officials with paid opportunities to officiate games for school districts you have contracted with. Although your activities may serve some exempt purposes, as in Better Business Bureau, the presence of a substantial non-exempt purpose will preclude exemption, even if also serving exempt purposes.

You are like the organization described in Rev. Rul. 61-170, because:

- You arrange and schedule paid officiating opportunities for members who meet particular requirements;
- You maintain a pool of qualified officials;
- You are primarily supported by membership fees and public support is negligible.

These facts show you are operated for the private purposes of your members which is contrary to Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

You do not meet IRC Section 501(j).

You are not a qualified amateur sports organization, as defined in IRC Section 501(j)(2) because you do not foster national or international amateur sports competition or support and develop amateur athletes for national or international competition in sports. Rather, you are organized and operated to provide your members with paid officiating assignments.

Conclusion

Based on the information submitted, you fail to qualify under IRC Section 501(c)(3). You do not meet the organizational test because you are not legally formed in your state. You also do not meet the operational test because you are serving the private interests of your member officials which is a substantial nonexempt purpose.

Further, you fail to qualify under IRC Section 501(j) because you are not organized and operated exclusively to foster national or international amateur sports. You are primarily operated to provide your members with paid officiating assignments.

Accordingly, you must file federal income tax returns. Contributions to you are not deductible under IRC Section 170.

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
Director, Exempt Organizations
Rulings and Agreements