



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

Date:  
03/12/2025  
Employer ID number:

Person to contact:

Release Number: 202523010  
Release Date: 6/6/2025  
UIL Code: 501.03-00, 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](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:**  
01/14/2025  
**Employer ID number:**

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

**Legend:**

X = Date

Y = State

Z = Organization

q dollars = dollar amount

r dollars = dollar amount

s dollars = dollar amount

**UIL:**

501.03-00

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 formed 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 the 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 Section 501(c)(3).

You attest that you are organized and operated exclusively to further charitable purposes. 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 1023-EZ stated your purpose is to provide a token of your esteem and consideration to your members when they are celebrating special occasions or facing challenging situations in their lives.

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

You responded that your organization is comprised of employees and volunteers of the Z, a local government agency within the State of Y, which provides emergency services to local and surrounding communities. Your membership may also include members of other approved organizations.

Your purpose is to collect dues from your membership to provide financial support to your dues-paying members when experiencing financial hardships or celebratory life events. You may also choose to support any individual, group, organization, or charity.

- Out of work due to illness/injury of self (or family member who provides income)
- Birth of baby - one year of diapers to be purchased by you
- Death of member/direct family member/colleague
- Retirement - Help cover the cost of retirement lunch/dinner celebration
- Financial hardship
- Unexpected hospitalization of member/direct family member/colleague
- House fire

The amount of money disbursed will depend on the following:

- Amount needed to remove the hardship.
- Amount given previously in similar situations.
- Amount currently available in bank account.

Membership in your organization is voluntary. To be a member, an individual must be an employee or volunteer of the Z or a member of an approved organization, and pay q dollars in a weekly payroll deduction or r dollars per month. A member who fails to pay or is no longer employed/volunteers with Z or an approved organization will not receive any benefits and will not be returned any money they have paid to you. Members who separate under good terms with Z or an approved organization and wish to remain a member may remain active as long as they pay your monthly dues.

New members will not be eligible for benefits for the first three months of membership. New members must also pay \$ dollars as an inception fee on top of the monthly dues.

Each member is responsible for informing you about illnesses, deaths, or special news. Once you are made aware of a hardship or special news, you will vote to provide benefits and the amount to disburse. All members of your board must be notified of the hardship or special news.

### **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.

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(d)(1)(ii) states that an organization is not operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

Treas. Reg. Section 1.501(c)(3)-1(d)(2) defines the term “charitable” as including the relief of the poor and distressed or of the underprivileged, and the promotion of social welfare by organizations designed to lessen neighborhood tensions, to eliminate prejudice and discrimination, or to combat community deterioration. The term “charitable” also includes the advancement of religion.

Revenue Ruling 67-367, 1967-2 C.B. 188, describes an organization whose sole activity was the operation of a “scholarship plan” for making payments to pre-selected, specifically named individuals. The organization did not qualify for exemption under IRC Section 501(c)(3) because it was serving the private interests of its subscribers rather than public or charitable interests.

Rev. Rul. 69-175, 1969-1 C.B. 149, describes an organization formed by the parents of pupils attending a private school exempt under IRC Section 501(c)(3). The organization provides bus transportation to and from the school for those children whose parents belong to the organization. The ruling states that when a group of individuals associate to provide a cooperative service for themselves, they are serving a private interest. By providing bus transportation for school children to school, the organization enables the participating parents to fulfill their individual responsibility of transporting their children to school.

In Better Business Bureau of Washington, D.C. v. United States, 326 U.S. 279 (1945), the Supreme Court determined that the presence of a single non-exempt purpose, if substantial in nature, will destroy exemption under IRC Section 501(c)(3) regardless of the number or importance of any other exempt purposes.

In The Korean-American Senior Mutual Association, Inc. v. Commissioner, T.C. Memo 2020-129 (2020), the Tax Court held that a membership organization did not qualify for exemption under IRC Section 501(c)(3). The organization collected dues and additional fees to pay out burial benefits to the families of its deceased

members; as a result, the Court held it was operating in a fee-for-service manner that served private rather than public interests and, therefore, failed to qualify for exemption under IRC Section 501(c)(3).

### **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 the operational test.

Contrary to the provision of Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii), you serve a private rather than a public interest by operating exclusively for the benefit of your members and providing them financial assistance during times of hardship or special occasions. Further, your benefits may be paid out for reasons that do not exclusively further charitable purposes, contrary to the provisions of Treas. Reg. Section 1.501(c)(3)-1(d)(2). Thus, you do not pass the operational test under IRC Section 501(c)(3), because your activities do not exclusively further charitable purposes and, instead, serve private interests rather than the public interest.

You are similar to the organizations denied exemption in Revenue Rulings 67-367 and 69-175. Like these organizations, you were formed to serve the private interests of your members rather than the public interest. As described in Rev. Rul. 67-367, when a group of individuals associate to provide a cooperative service for themselves, they are serving a private interest, not the public interest, which precludes exemption under IRC Section 501(c)(3).

Similar to the organization in The Korean-American Senior Mutual Association, Inc., which collected dues and fees to pay benefits to the families of its deceased members upon their deaths, you were formed to collect dues from your members to relieve their economic burdens and celebrate special occasions. This serves the private interests of your members, since your benefits do not flow primarily to the public because you were created specifically to benefit your members, precluding exemption under IRC Section 501(c)(3).

Finally, you are like the organization in Better Business Bureau of Washington, D.C., Inc., because you have a more than insubstantial, non-exempt purpose, i.e., serving the private interests of your members. Although your activities may provide some financial and other types of relief to your members during times of hardship, your benefits are limited exclusively to your dues-paying members. Thus, you are not operating exclusively for exempt purposes within the meaning of IRC Section 501(c)(3), and your claim to exemption is destroyed.

### **Conclusion**

Based on the information submitted, you fail the operational test under IRC Section 501(c)(3) because you serve the private interests of your members rather than the public interest by collecting membership dues from a limited membership to provide your members with financial assistance during times of hardship or celebratory occasions. Thus, you are formed to serve the private interests of your dues-paying members and 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 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