



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

Date:
04/08/2025
Employer ID number:

Person to contact:

Release Number: 202527013
Release Date: 7/3/2025
UIL Code: 501.03-00, 501.03-05

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
Letter 4038



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

Date:
02/06/2025
Employer ID number:

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

Legend:

S = Date
T = State
U = Person

UIL:
501.03-00
501.03-05

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, Streamline Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

You attest that you were incorporated on S in the State of T. 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 indicates your purpose is to raise money to relieve financial burdens due to medical expenses arising from an unexpected heart transplant. You also indicated you will donate funds to, or pay expenses for, an individual or individuals.

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

You formed to help raise funds for U and U's parents to assist with financial burdens that arose from U's unexpected heart transplant, a lengthy stay in the hospital, and complications related to the transplant. U and U's parents lost wages due to the extended medical stay and recovery.

You held a one-day benefit at a local venue to raise money for U. You do not plan to host another fundraiser in the upcoming year. You also set up a donation account at a bank to raise and manage funds for U. You left the account open so anyone could still donate on U's behalf.

Law

IRC Section 501(c)(3) provides, in part, for the exemption from federal income tax of organizations organized and operated exclusively for charitable, religious, educational, or other exempt purposes, in which no part of the net earnings 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 and described in IRC Section 501(c)(3), that 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(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 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) states that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private purpose. An organization will not be regarded as exempt if more than an insubstantial amount of its activities does not further an exempt purpose.

In Revenue Ruling 67-367, 1967-2 C.B. 188, an organization's sole activity was the operation of a scholarship plan for making payments to pre-selected, specifically named individuals. The organization established a plan whereby it entered into agreements with subscribers. The subscribers deposited a certain amount of money with a designated bank. The subscriber also named a specific child to be the recipient of the scholarship money. The recipients received the scholarships around the time they were to begin college. It was held 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 the public interest, by providing funds to pre-selected, specifically named individuals.

In Rev. Rul. 69-175, 1969-1 C.B. 149, an organization was formed by parents of pupils who attended a private school to provide bus transportation for the members' children; in doing so, the Court found that the organization was serving a private interest for its members and not the public interest and, therefore, did not qualify for exemption under IRC Section 501(c)(3).

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court of the United States interpreted the requirement in IRC Section 501(c)(3) that an organization be "operated exclusively" by indicating that an organization must be exclusively devoted to exempt purposes. The presence of a single non-exempt purpose, if more than insubstantial in nature, will destroy the exemption, regardless of the number and importance of truly exempt purposes.

Application of law

IRC Section 501(c)(3) sets forth two main tests for qualification of 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 Section 501(c)(3). You fail the operational test for the reasons explained below.

You do not meet the provisions of Treas. Reg. Section 1.501(c)(3)-1(c)(1) because you are not operating exclusively for charitable purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). You formed to raise funds for a pre-selected, specific individual, which serves a substantial nonexempt purpose by operating for private rather than public interests as required under Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii); therefore, you are excluded from exemption under IRC Section 501(c)(3).

You are like the organization denied exemption in Rev. Rul. 67-367 because you formed to raise funds to provide a monetary benefit to a pre-selected, specifically named individual. Like the organization in this ruling that also provided funds to pre-selected, specifically named individuals, you are serving private interests, rather than the public interest, by conducting a fundraiser for the benefit of U; therefore, you do not qualify for exemption under IRC Section 501(c)(3).

You are also like the organization denied exemption in Rev. Rul. 69-175. Similar to how this organization was found to serve private interests and not the public interest by forming to provide private bus transportation for specific children attending one school, you are also serving private interests by raising money to pay medical expenses for a pre-selected, specifically named beneficiary. Therefore, you serve a substantial nonexempt purpose by furthering private interests and not the public interest, and do not qualify for exemption under IRC Section 501(c)(3).

As stated in Better Business Bureau of Washington, D.C., Inc., the presence of a single nonexempt purpose, if substantial, will destroy a claim for exemption, regardless of the number and importance of your exempt purposes. Your only activity is fundraising for U, which is both substantial and serves private interests rather than the public interest. As a result, you have not established that you benefit the public or accomplish exclusively exempt purposes and have failed the operational test for exemption under IRC Section 501(c)(3).

Conclusion

Based on the information submitted, you fail the operational test under IRC Section 501(c)(3) because you further substantial nonexempt purposes. You are serving private interests in raising funds for a particular person rather than serving the public interest. Therefore, you do not qualify for exemption under Section 501(c)(3). Contributions to your organization 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 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