



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

Release Number: 202530013
Release Date: 7/25/2025
UIL Code: 501.00-00, 501.03-00, 501.33-00

Date:
03/14/2025
Employer ID number:

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

Legend:

B = Date
C = State
D = Year
E = Year
F = Scholarship
G = Family

UIL:

501.00-00
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 incorporated on B, in the state of C. 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 mission is to maintain the legacy of the G family by providing scholarship assistance to future generations as they transition from high school into post-secondary vocational training, higher education, apprenticeships, and employment.

Detailed information was subsequently requested. You provided the eligibility criteria for the F scholarship application. Besides academic merit, eligibility criteria require applicants to be a descendant of F and applicants must be able to explain lineage to F. The scholarship application also requires a one-page essay on topics such as F family or any G family member, G family reunions, and/or importance of continuing the G family reunions. Members of the G family operate and control the scholarship and dispersing the funds to the awarded recipients. Members of the scholarship committee are not eligible to apply for the scholarship nor would members be part of their child/grandchild's selection process. However, children and grandchildren of the scholarship committee members are eligible to apply and receive scholarships. So far you have awarded scholarships in D and E. You stated that you plan to have dedicated fundraisers and a separate bank account to keep accurate records of scholarship funds.

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(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) states that an organization is not organized or operated exclusively for 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.

Revenue Ruling 67-367, 1967-2 C.B. 188, describes a nonprofit 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 from federal income tax under IRC Section 501(c)(3) because it was serving private rather than public or charitable interests.

Rev. Rul. 80-302, 1980-2 CB 182, describes an organization that (1) limits its membership to descendants of a particular family, (2) compiles family genealogical research data for use by its members for reasons other than to conform to the religious precepts of the family's denomination, (3) presents the data to designated libraries, (4) publishes volumes of family history, and (5) promotes social activities among family members. The organization did not qualify for exemption under IRC Section 501(c)(3) because the activities are primarily limited to one family. Therefore, these activities do not advance education to benefit the public interest.

In Better Business Bureau of Washington, D.C., Inc. v. U.S., 326 U.S. 279 (1945), the court held that the presence of a single non-exempt purpose, if substantial in nature, will preclude exemption, regardless of the number or importance of statutorily exempt purposes.

In Educational Assistance Foundation for the Descendants of Hungarian Immigrants in the Performing Arts, Inc. v. United States 111 F. Supp. 3D 34 (2015), the revocation of the organization's tax-exempt status under IRC Section 501(c)(3) was withheld. It was found that while the foundation indicated that it was created to provide scholarships to individuals who were the descendants of Hungarian immigrants who participated in the performing arts, it was found after examination, the organization provided scholarships only to members of the founders' family. The court concluded that the organization operated in a manner that inured to the benefit of one family, precluding it from having tax-exempt status.

Application of law

IRC Section 501(c)(3) sets forth two main tests to qualify for exempt status. Per 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). Because you are not operated exclusively for exempt purposes, you are not exempt.

You also do not meet the requirements for exemption because you are not operating exclusively for charitable or educational purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). In addition, providing funds that are pre-selected for only one family's descendants serve a private rather than a public interest as described in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) and Rev. Rul. 67-367.

You are like the organizations described in Better Business Bureau and Rev. Rul. 80-302. While on the surface providing scholarships to advance education can be considered an exempt activity. However, because your scholarships are designed to serve the private interests of one, pre-selected family, any educational benefit that may result from the scholarship is inconsequential and does not serve a public interest as required for organizations exempt under IRC Section 501(c)(3).

You are similar to the organization described in Educational Assistance Foundation for the Descendants of Hungarian Immigrants in the Performing Arts, Inc. The members of your family control any funds raised and how they are distributed. Also, because the scholarship benefits you provide flow only to members of the G family and their descendants, rather than considering a larger pool of candidates of the general public, this constitutes inurement and precludes you from qualifying for exempt status under IRC Section 501(c)(3).

Conclusion

Based on the information submitted with your application, you do not meet the requirements under IRC Section 501(c)(3) as you do not serve an exclusive charitable or educational purpose. You also fail the operational test for exemption because you are operating for the private interests of one pre-selected family rather than the public and your earnings inure to the benefit of members of that family. Therefore, we conclude that you do not qualify for exemption under Section 501(c)(3). Donations to you are not 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



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

Date:
04/29/2025
Employer ID number:

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

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