



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date:
06/11/2025
Employer ID number:

Form you must file:



Tax years:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202536030

Release Date: 9/5/2025

UIL Code: 501.00-00, 501.03-00, 501.03-12, 501.03-30

Dear [REDACTED]:

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**

Date:
04/25/2025
Employer ID number:

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

Legend:

B = Date
C = Date
D = School District
E = Scholarship Fund

UIL:

501.00-00
501.03-00
501.03-12
501.03-30

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 formed as an unincorporated association and submitted an unsigned version of your Constitution. The most recent revision of this Constitution is B. Your Constitution states that you are formed to:

1. Bring associations of professional, secretarial and paraprofessional/aide into relations of mutual assistance and cooperation,
2. Obtain for your membership the rights, privileges and remuneration to which they are entitled,
3. Raise the standards of the teaching profession by securing and maintaining the conditions essential to the best professional service, and
4. Promote the welfare of the children of the community and provide an education atmosphere and programs which will equip them to make their way into society.

Your Constitution also includes language that is substantially similar to the sample Section 501(c)(3) purpose and dissolution clause language provided in the Instructions to Form 1023.

You were previously exempt under Section 501(c)(5) under a group exemption. Your exemption under Section 501(c)(5) was automatically revoked on C because you did not file a Form 990 annual information return for three consecutive years.

Your primary activity is the creation and enforcement of collective bargaining agreements (CBA) between your members and the D. Your negotiating team is elected to represent your members in negotiations. Your membership is open to professional, secretarial, and paraprofessional/aide persons employed by D.

You also spend a substantial percentage of your time resolving grievances between your members and the D. If a member feels that the terms of the CBA have been violated they can file a grievance. You work with the D to resolve any grievances on behalf of your members. This is funded through your militancy fund that is maintained for use in teacher defense and/or contract negotiations.

A small fraction of your time is dedicated to:

- Operating the E, a fund that grants scholarships to graduating seniors,
- Retirement and Christmas parties, and
- Monthly meetings.

You state all of these activities further the betterment of your members by obtaining for your membership the rights, privileges, and remuneration to which they are entitled.

Your activities are primary funded through membership dues. Your primary expenses include union fees, payroll, professional fees, occupancy fees, social events, donations, welfare, dues and subscriptions, phone expense, and insurance.

Law

IRC 501(c)(3) describes organizations organized and operated exclusively for the purposes described in that Section and no part of the net earnings of which inures to the benefit of any private shareholder or individual. The exempt purposes listed in IRC 501(c)(3) are religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) states that, in order to be exempt as an organization described in section 501(c)(3) of the Code, 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 that accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code. 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 private interests.

In Revenue Ruling 61-170, 1961-2 C.B. 112, 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 IRC Section 501(c)(3). Although the public

received some benefit from the organization's activities, the primary benefit of these activities was to the organization's members.

In Rev. Rul. 69-175, 1969-1 C.B. 149, an organization formed by parents of pupils attending a private school to provide school bus transportation for its members' children was not found to be exempt under IRC Section 501(c)(3). It was found in this ruling that when a group of individuals associate to provide a service for themselves, they are serving a private rather than a public interest.

In Rev. Rul. 71-505, 1971-2 C.B. 232, a city bar association that established and enforced standards of conduct for its members, promulgated minimum fee payment schedules, advocated for comparable pay for lawyers in the armed forces, and directed other programs to make the practice of law more profitable for its members was not entitled to exemption under IRC Section 501(c)(3). It was found in this ruling that such activities substantially furthered noncharitable and noneducational purposes within the meaning of 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 devoted to exempt purposes exclusively. The presence of a single non-exempt purpose, if more than insubstantial in nature, will destroy the claim to exemption regardless of the number and importance of truly exempt purposes.

Application of law

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests for an organization to be recognized as exempt. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). Based on the information you provided, you fail the operational test.

Like the organization described in Rev. Rul. 71-505, you have substantial noncharitable and noneducational purposes and activities and, therefore, are not operated exclusively for exempt purposes. You are formed to negotiate and enforce collective bargaining agreements between your members and the D. Your membership is open to professional, secretarial, and paraprofessional/aide persons employed by D. This limited membership does not represent a charitable class, and your contract negotiations and enforcement do not further charitable or educational purposes.

You are not formed for a public interest as required by Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii). Instead, like the organizations in Rev. Rul. 61-170 and Rev. Rul. 69-175, you are formed to serve the private interests of your dues-paying members by negotiating and enforcing collective bargaining agreements with the D.

Qualification for exemption under IRC Section 501(c)(3) requires that an organization operate exclusively for exempt purposes. 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. See Treas. Reg. Section 1.501(c)(3)-1(a)(1). This requirement is affirmed in Better Business Bureau Inc., where 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 truly exempt purpose. While you may offer charitable scholarships to graduating seniors, you primarily conduct collective bargaining activities on behalf of your members. By doing so, you are serving substantial private interest of your members rather than a public interest.

Conclusion

An organization that operates primarily for the benefit of its members or a particular group of employees does not qualify for exemption from federal income tax under IRC 501(c)(3). An organization described in IRC 501(c)(3) must operate for the benefit of the public and be organized and operated exclusively for one of the purposes described in IRC 501(c)(3). Conducting collective bargaining activities on behalf of your members does not further one of the purposes described in IRC 501(c)(3) and does not confer a public benefit as required under IRC 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 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

