



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

Date:
06/09/2025
Employer ID number:

Person to contact:

Release Number: 202536035
Release Date: 9/5/2025
UIL Code: 501.03-00, 501.03-05, 501.03-30

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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437
Redacted Letter 4034
Letter 4038

cc:



**Department of the Treasury
Internal Revenue Service**

Date:
04/18/2025
Employer ID number:

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

Legend:

S = Date
T = State
u = Dollar Amount
v = Percentage

UIL:

501.03-00
501.03-05
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 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

You attest on Form 1023-EZ that your organization was formed to provide you an opportunity to promote hospitality and to foster interest in community activities. You chose Y42 – domestic fraternal society to best describe your activities.

During our review of your Form 1023-EZ we requested detailed information to supplement the above attestations. You stated you want to provide your members with a welcoming and vibrant social organization where individuals can meet together to build meaningful relationships, enjoy enriching experiences, and positively contribute to the community. You can reach outside your borders to support others in need, too. Your only activity is your dinner programs that you conduct between and . You best describe these dinner programs as social events planned by the Executive Board. You provide a catered dinner program featuring inspirational speakers and entertainment at your local tavern. You hold your dinner programs to attract participation and provide engaging opportunities for members to connect and socialize while also listening to a guest speaker. You also raise funds for operational reserves and local charities through raffle ticket proceeds, silent auctions, and sponsorships. You usually have for-profit entities who sponsor your dinners on a rotating basis.

You have highlighted some pertinent information about your speakers such as uplifting women and empowering young girls, Christian outreach, education and children, foster care, performing arts, navigating life's transitions, make-up artists, sip and shop, and live band for dancing and entertainment.

Your members and your guests participate in all your activities. Your sponsors and entertainers are also present. You charge cost of dinners to your participants when you have no corporate sponsor. Your participants pay on average u dollars for their meals. You spend v percent of your time on your dinner program activities.

Your dinner programs promote community hospitality by bringing members together at the dinner table to socialize, build relationships, and make new connections for personal and professional growth. You promote socialization around the dinner table environment through laughter, sharing, conversation, mentorships, and camaraderie.

You foster interest in community activities by having inspirational keynote speakers and entertainers who are uplifting and encouraging examples of individuals who give of their time and resources and understand and convey the message to their audiences about the benefits of contributing to society through charitable involvement. You have the dinner program attendees vote on charities they want to receive donations at the end of the fiscal year.

Your dinner programs raise funds in several different ways. You have sponsorship opportunities where individuals and businesses contribute funds or goods to sponsor one of your dinner programs. Your sponsor

donations purchase food and/or beverages for the attendees, raffle prizes, or gift baskets to be auctioned off to the highest bidder. Your sponsor can network at the event and be seated with the Executive Leadership during the event. Your President introduces your sponsor to the members of the club, and they give a three-minute overview of their business or service. Your sponsors may share marketing materials, sponsors are included in mailed marketing materials, sponsors are included in all digital marketing materials for the social event, the club's website, social media posts, and other community forums, and digital invitation. Your sponsors receive email addresses of all event attendees for post-event marketing.

Your members who bring guests that are interested in joining the club increases the membership and membership dues. You sell raffle tickets for a 50/50 cash raffle and for door prizes. You host silent auctions on donated or purchased goods and gift cards assembled in attractive gift baskets. You have a Chair of Charity circulating during dinner to encourage bidding on the silent auction items. Half of the y silent auction proceeds will be designated for donation to a specific charity. Your members vote during the dinner program on which charities will receive cash donations from the end of the fiscal year undesignated surplus. You provide the names of charities for a vote from the members. Your members choose four (4) charities to receive the undesignated surplus of funds.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for religious, charitable, educational, 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 to be exempt as an organization described in IRC Section 501(c)(3), the organization must be both organized and operated exclusively for one or more of the exempt purposes described in this 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 as 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.

In Better Business Bureau of Washington, D.C., Inc v. United States, 326 U.S. 279 (1945), the Supreme Court of the United States held that the presence of a single non-exempt purpose, if substantial, will destroy a claim for exemption, regardless of the number or importance of truly exempt purposes.

In Minnesota Kingsmen Chess Association v. Commissioner, T.C. Memo 1983-495 (1983), the organization sponsored chess tournaments, provided chess magazines and books to libraries, offered free chess lessons, and published a newsletter that primarily contained reports of past tournaments and announcements of future ones. The petitioner sought exemption under IRC Section 501(c)(3) because its purposes and activities were described as educational. The court found that the promotion of chess tournaments furthered a substantial recreational purpose, even though individual participants may have received some educational benefits.

In St. Louis Science Fiction Limited v. Commissioner, 49 T.C. Memo 1985-162, the Tax Court held that a science fiction society failed to qualify for tax-exempt status under IRC Section 501(c)(3). Although many of the organization's functions at its annual conventions (the organization's principal activity) were educational, its

overall agenda was not exclusively educational. A substantial portion of convention affairs were social and recreational activities.

International Postgraduate Medical Foundation v. Comm’r, T.C. Memo 1989-36 (1989), held if the organization’s activities are directed at providing opportunities for recreational endeavors, its claim to exempt status under IRC Section 501(c)(3) will be denied.

Application of law

You do not meet the requirements for recognition of tax exemption under IRC Section 501(c)(3) because you fail the operational test as described in Treas. Reg. Section 1.501(c)(3)-1(a)(1). You indicate that your dinner programs are social events, and you spend v percent of your time on these programs which is most all your time.

You are a club whose members participate in substantial social activities with your dinner programs, and they are held at the local tavern. By organizing extensive social programs for your members, you are substantially furthering nonexempt purposes and you fail to further exempt purposes as required in Treas. Reg. Section 1.501(c)(3)-1(c)(1). Your activities are predominantly social and have little to no exempt purposes. Therefore, you do not meet IRC Section 501(c)(3) because more than an insubstantial part of your activities is not in furtherance of an exempt purpose.

As noted in Better Business Bureau of Washington, D.C., the presence of a single non-exempt purpose, if substantial in nature, will preclude exemption under IRC Section 501(c)(3). Your activities may serve the public and community at large, and certain activities may be charitable or educational, but operating as a club for the social and recreational interests of your members furthers a substantial nonexempt purpose and does not qualify you for exemption under Section 501(c)(3).

Finally, you are similar to the organizations in Minnesota Kingsmen Chess Association, St. Louis Science Fiction Limited, and International Postgraduate Medical Foundation where substantial social and recreational activities precluded exemption under IRC Section 501(c)(3), despite some of your activities incidentally furthering exempt purposes. Your overall agenda is not exclusively charitable, because you further substantial social purposes with your dinner programs, even though some activities may receive incidental charitable services and goods.

Conclusion

You do not qualify for tax exemption under IRC Section 501(c)(3) because you are not operated exclusively for exempt purposes. Your dinner programs further substantial social purposes, causing you to fail the operational test. Therefore, you do not qualify for exemption under IRC Section 501(c)(3). Donations to you are not tax deductible to the donor.

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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements