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

Date:
06/12/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202536036
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
Redacted Letter 4038

cc:

Department of the Treasury
Internal Revenue Service

IRS

Date:
04/14/2025
Employer ID number:

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

Legend:
B = Date
C = State
D = County
E = Social Media
b = Sport
c = Officials

UIL:
501.03-00
501.03-06

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 established on B within the jurisdiction of C as a not-for-profit corporation. According to your Articles of Incorporation, you are organized for the purpose of promoting the game of b by officiating games throughout D and the central C area. Your application substantiates this objective by indicating that you engage in training programs, field clinics, and charitable events that benefit the local C community in relation to the sport.

You are a membership-based organization that is overseen by a Board of Directors, which includes a President, a Treasurer, and Member. Membership privileges are extended to any individual who engages in the practice of b and aspires to support and advance your mission. To qualify for consideration for membership, an interested individual is required to successfully pass the annual b examination and pay the membership fee.

A significant portion of your operational activity is dedicated to the acquisition of employment opportunities for your members by negotiating officiating contracts with various adult b leagues within the D and central C area. The compensation that your c earn for officiating games is not processed through you. Instead, compensation is paid directly to your c on the fields of play by the member-teams of the b leagues which have contracted for your services. Your income is generated through membership fees, which are utilized to compensate your employee responsible for assigning games to your members, informing them about any rainouts or cancellations, and rescheduling assignments when necessary. You also promote your services through the internet platform, E.

Law

Internal Revenue Code Section 501(c)(3) provides for the exemption from federal income tax of organizations that are organized and operated exclusively for charitable, educational purposes or other purposes as specified in the statute and which no part of its net earnings insures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(l) 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)-l (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 50l(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) provides that an exempt organization must serve a public rather than a private interest. The organization must demonstrate that it is not organized or operated to benefit private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests. Thus, if an organization is operated to benefit private interests rather than for public purposes or is operated so that there is prohibited inurement of earnings to the benefit of private shareholders or individuals, it may not retain its exempt status.

Revenue Ruling 61-170, 1961-1 C.B. 112, holds that a nurses' association, which maintains an employment register primarily for the employment of its members, is not entitled to exemption under IRC Section 501(c)(3). The organization was primarily engaged in the performance of personal services by operating an employment service principally for the benefit of its members. The organization drew its support primarily from its members. It was governed by a board of trustees composed of professional nurses. Although the public received some benefit from the organization's activities, the primary benefit of its activities was to organization's members.

Rev. Rul. 77-365, 1977-2 C.B. 192, states that an organization that conducts clinics, workshops, lessons, and seminars at municipal parks and recreational areas to instruct and educate individuals in a particular sport is operated exclusively for educational purposes and qualifies for exemption under section 501(c)(3) of the Code.

Rev. Rul. 80-215, 1980-32 I.R.B. 9, states that organization that is formed to develop, promote, and regulate a sport for individuals under 18 years of age by organizing local and statewide competitions, promulgating rules, organizing officials, presenting seminars, distributing a newsletter, and otherwise encouraging growth of the sport qualifies for exemption under section 501(c)(3) of the Code.

In the court case, Better Business Bureau of Washington, D.C., Inc, v. United States, 326 U.S. 279 (1945), the Supreme Court determined that the activities of the organization were aimed at promoting the prosperity and standing of the business community and therefore served a substantial private purpose. It concluded that the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption regardless of the number or importance of statutorily exempt purposes.

In the court case, B.S.W. Group, Inc. v. Commissioner , 70 T.C. 352 (1978). The court found that the corporation did not satisfy the operational test under section 501(c)(3) of the Code because its activities constituted the conduct of a trade or business that is ordinarily carried on by commercial ventures organized for profit. Therefore, its primary purpose was not charitable, educational, or scientific, but rather commercial.

Application of law

IRC Section 501(c)(3) and Treas. Reg. 1.501(c)(3)-1(a)(1) set forth two criteria in qualifying for status as an exempt organization. The provisions specify that an organization must be both organized and operated solely for the purposes outlined in IRC Section 501(c)(3) in order to be considered exempt. Treasury Regulation 1.501(c)(3)-1(a)(1) specifies that should an organization fail to meet either the organizational test or the operational test, it shall not be eligible for exemption.

Your operational activities are primarily focused on negotiating contracts with various b leagues to secure employment opportunities for your c, in addition to the coordination, scheduling, and assignment of your c for b games and tournaments. The c are paid fees for their services by the teams of the b leagues with which you contract on the fields of play. The activities of negotiating services, coordinating scheduling, and assigning games to your c do not serve an educational or charitable purpose. As explained in Treas. Reg. Section 1.501(c)(3)-1(c)(1), you cannot be regarded as "operated exclusively" for one or more exempt purposes because more than an insubstantial percentage of your operational activities is dedicated to furthering a nonexempt purpose.

Although you organize and assign officials to referee b games, the games to which your c are assigned are not limited to games whose participants are under 18 years of age; therefore, you are not like the entity examined in Rev. Rul. 80-215 and your primary operational activity does not fulfill a charitable purpose. Furthermore, since your primary operational activity is not aimed at providing educational services to the players who participate in the games officiated by your c, you are not similar to the organization examined in Rev. Rul. 77-365. Although you offer training to your c, a substantial portion of your operational activities are focused on negotiating contracts with b leagues and coordinating assignments for games and tournaments for your members. Thus, your operational activities cannot be considered as exclusively educational or charitable in nature.

Since a substantial portion of your operational activities are devoted to the procurement of employment opportunities for your c, you are like the organization referenced in Rev. Rul. 61-170 in that you engage in the performance of personal services for the benefit of your members. Furthermore, by delegating to your paid employee the obligation of overseeing those employment opportunities, while promoting your services to the wider public through the online platform of E, you are engaging in endeavors that are emblematic of operations typically conducted by a for-profit commercial entity, such as the organization referenced in B.S.W. Group, Inc. v. Commissioner. Given that a substantial portion of your operational activity is dedicated to providing a personal service for the benefit of your members, you do not satisfy the public purpose requirement delineated in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii), as you are advancing a non-exempt purpose.

Due to the fact that a substantial portion of your operational activity is dedicated to securing employment and overseeing those opportunities for the benefit of your c, similar to the organization referenced in Better Business Bureau of Washington, D.C., Inc. v. United States, you fail to meet the exemption requirements under IRC Section 501(c)(3).

Conclusion
Based on the information submitted, you do not meet the operational test for IRC Section 501(c)(3) because you are operated for substantial nonexempt purposes. Therefore, you are not eligible for exemption under IRC 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 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