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

Date:
06/09/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202536038
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.

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

IRS

Date:
04/17/2025
Employer ID number:

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

Legend:
S = Date
T = State
U = Brand

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 promotes and educates the evolution of the U automobiles.

During our review of your Form 1023-EZ we requested detailed information to supplement the above attestations. You established your club a number of years ago, and you recently incorporated so you could do more with your community.

You are an established group of like-minded U enthusiasts. You formed to provide U education. You have an all-volunteer board and participating membership base. You rely on donations to keep your car show events happening. Membership dues are collected in the spring of each year.

Your annual car show consists of community members that own U vehicles. Members and non-members participate in your annual car show and swap meet which meet at the same time and in the same location each year. Your organization meets monthly to prepare and plan for the annual car show. Half your participating members work on the car show project annually. Your car show is open to the public, and it provides a resource for members and non-members to gain knowledge and parts resources for all things U.

You describe your social activities where you meet monthly to review upcoming car shows, your club status, and membership information in regard to fellowship and wellbeing. You establish membership duties for the upcoming annual car show and discuss the progress you have made on it as well.

Your social activities also include a quarterly membership car meet-up throughout the year where you can show off your classic cars. You hold these meetups at local car and coffee events, other car shows, and display requests that you receive from your sponsors and community business leaders.

Your annual car show is your biggest social event, and it attracts participants and spectators from several surrounding states. You have a registration fee for participants to show their cars. You also have entertainment at your show for youth, seniors, and families. Your social activities are open to anyone who likes U's. You spend well over half your time and resources on this show because it is your primary show, and you want to make sure it is successful. You activities are largely centered around the wellbeing of your annual car show. Half of your members work on the car show project annually. Your social acticvities are not age oriented because almost all of your participants are adults from age 16 to 80 plus.

You open your membership to all U hobbyists and enthusiasts who pay the annual dues. Ownership of a U is not required, and membership includes only the member and his/her spouse or significant other, along with immediate family. You ask your members to participate and be active in club functions when possible, and be considerate of fellow club members. Your membership application asks for your hobbies, interests, vehicle information, membership in any other club, and how they heard about your club.

You have expenses that are less than your revenues and you carry a balance that keeps your website functional, provides for your park permit for your annual car show, provides liability insurance for the car show, and pays for other club related events. You expect the next few years to have roughly the same income and outgoing expenses.You rely on donations and most of your donors are requiring you to become a non-profit organization before they will donate to you. Your proceeds from the car show are donated to local charitable organizations.

Your website represents that you are promoting the U vehicle as a hobby. Your show is a social gathering to discuss U's and draw participants from surrounding states.

Law

IRC Section 501(c)(3) provides for the recognition of exemption for 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 such 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). Your internet pages confirm that you are promoting the hobby of the U vehicle.

You are a club whose members participate in substantial recreational activities. By organizing extensive social and recreational activities for your members and the public, you are not exclusively furthering exempt purposes as required in Treas. Reg. Section 1.501(c)(3)-1(c)(1). Although your activities may include some charitable or educational aspects, such as swap meets and circles where everyone can discuss what they know about the U, the majority of your activities are social and recreational. 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. Although some of your activities may charitable or educational purposes, these are incidental to your primary purpose of providing substantial social and recreational activities to your members.

Conclusion
Based on the facts and circumstances provided in your application materials, you do not meet the operational test under IRC Section 501(c)(3) because almost all of your activities further substantial nonexempt social and recreational purposes. Thus, you do not meet the requirements for federal tax exemption under Section 501(c)(3). Contributions to you are not deductible by your donors.

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