



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: 202536039
Release Date: 9/5/2025
UIL Code: 501.03-00, 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



**Department of the Treasury
Internal Revenue Service**

Date:
04/02/2025
Employer ID number:

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

Legend:

S = Date
T = State
U = State
V = Country

UIL:
501.03-00
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

Your main activity consists of using your catamaran sailboat to take pastors, missionaries, and their families on a free vacation when they come home from serving in the mission field in a challenging location. The vacation would be similar to other chartered catamaran vacations a person could take. Your guests are free to relax and do what they want in their free time. Activities may include snorkeling, swimming, fishing, enjoying the water, and exploring deserted islands and coral reefs. You plan to start your ministry work in U and then sail down to V, and use that as a base of operation.

You are a _____ team. Your duties include being the captain and crew of the vessel, preparing meals, and anything else a normal charter boat crew would do for their guests.

You don't charge any fee for your activities. You cover the cost of running the boat and maintenance. Lodging, sailing, activities, and food are free to guests. You solicit donations of money and airline miles to use for airfare for the guests. Funds to cover the expenses may also come from parent churches or directly through the guest's mission board.

Your other activity will be helping missionaries with ongoing construction projects such as building churches where they are serving. Work could include anything from clearing a spot, pouring concrete, or putting a roof on the building. There may be additional volunteers that help with the support projects.

Law

Internal Revenue Code 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) provides that, in order to be exempt as an organization described in Section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt purposes. 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 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)(2) defines the term charitable as including the relief of the poor and distressed or of the underprivileged, and the promotion of social welfare by organizations designed to lessen

neighborhood tensions, to eliminate prejudice and discrimination, or to combat community deterioration. The term “charitable” also includes lessening of the burdens of government.

Revenue Ruling 77-366, 1977-2 C.B. 192 held that a nonprofit organization that arranges and conducts winter time ocean cruises during which activities to further religious and educational purposes are provided in addition to the extensive social and recreational activities is not operated exclusively for exempt purposes and does not qualify for exemption.

Rev. Rul. 77-430, 1972 C.B. 194 held that an otherwise qualifying nonprofit organization that conducts weekend religious retreats open to individuals of diverse Christian denominations at a rural lakeshore site at which the participants may enjoy the recreational facilities in their limited amount of free time and that charges no fees qualifies for exemption as operated exclusively for religious purposes.

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 exclusively devoted to exempt purposes. The presence of a single non-exempt purpose, if more than insubstantial, will destroy the exemption regardless of the number and importance of truly exempt purposes.

In The Schoger Foundation v. Commissioner, 76 T.C. 380 (1981), the court held that an organization operating a religious retreat facility that made available to its guests extensive, religious, social, and recreational activities didn’t qualify for exemption under IRC Section 501(c)(3) because it failed to show that the retreat facility was operated exclusively for religious purposes. The record didn’t show the extent to which the guests participated in any of the activities, religious or otherwise.

In Retreat in Motion, Inc. v. C.I.R., 48 T.C.M. 334, T.C. Memo. 1984-315, a religious organization was formed to provide fun experiences through bus trips to places like Disneyworld. To accomplish its purposes the organization acquired an “over the road” bus which it rebuilt in order to provide in-bus sleeping facilities. The organization’s program consisted of take church related groups on three to five day trips and providing an environment which was more conducive to the sharing of the Christian faith. The bus trips constituted the entire program of the organization with the only other activities ancillary such as fund raising, administration, and bus maintenance. The organization failed to qualify as a tax-exempt organization. The recreational aspects of the trips (involving secular sightseeing, beach going, mountain climbing, etc.) were not shown by the taxpayer to be insubstantial in nature and were not merely incidental to religious activities.

Application of law

IRC Section 501(c)(3) sets forth two main tests for qualification for exempt status. As stated in Treas. Reg. 1.501(c)(3)-1(a)(1), an organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). You are not operated exclusively for purposes described in IRC Section 501(c)(3) and therefore do not meet the operational test. While assisting missionaries with construction projects where they are serving is charitable under Treas. Reg. Section 1.501(c)(3)-1(d)(2), taking missionaries on vacation does not fulfill a charitable or religious purpose. Instead, it is recreational. You are therefore not operated exclusively for one more exempt purposes as stated in Treas. Reg. Section 1.501(c)(3)-1(c)(1).

Like the organization in Better Business Bureau of Washington D.C., you are not operating exclusively for exempt purposes under IRC Section 501(c)(3). You are similar to the organization in Rev. Rul. 77-366 as well as the organizations in The Schoger Foundation v. Commissioner and Retreat in Motion, Inc. v. C.I.R. Your vacations for missionaries consist of substantial recreational activities including snorkeling, swimming, fishing, and exploring. You are not like the organization in Rev. Rul. 77-430. All of the activities on the catamaran sailboat are recreational and you do not have any scheduled religious activities.

Conclusion

Based on the information submitted, you are not operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3). Rather, you are organized and operated primarily to host recreational vacations for missionaries which is a substantial non-exempt purpose. Accordingly, you do not qualify for exemption under 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.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements