



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

Date:
06/27/2025
Employer ID number:

Form you must file:

Person to contact:

Release Number: 202538029
Release Date: 9/19/2025
UIL Number: 501.00-00, 501.03-30, 501.33-00

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
Letter 4038



**Department of the Treasury
Internal Revenue Service**

Date:
5/12/2025
Employer ID number:

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

Legend:

M = Date
N = State
o percent = percentage
p percent = percentage
q percent = percentage

UIL:
501.00-00
501.03-30
501.33 00

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, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

You attest that you were incorporated on M, in the state of N. 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 stated you are a business league whose mission is to empower local businesses by deploying a network of community volunteers to create a thriving local economy by providing resources, fostering connections, and advocating for the needs of the local community.

Detailed information to support the above mission was subsequently requested. You stated that you bring together the local community to support both brick and mortar and home-based local businesses. You spotlight a local business once a month and invite your board and the local community to dine at local restaurants for monthly meetings. You host pop-up events in shopping centers and invite the community to shop and support local businesses. You hold ribbon cuttings for new businesses. You stated that volunteers and your board have used personal funds to pay for hosting events. You are planning to fundraise to avoid out of pocket expenses to provide services for the local community. You spend approximately p percent on annual pop-up events, q percent on local business spotlights, q percent on monthly dinners/meetings at local restaurants, and o percent on ribbon cuttings for new businesses. You further explained that the local community is not designated as a deteriorated or blighted area. Median income of the local area is o percent higher than the N metro area. Your website highlights your activities to promote local businesses. It also provides information and links to the for-profit business of your only director.

Law

IRC Section 501(c)(3) provides for the exemption from federal income tax of organizations that are organized and operated exclusively for charitable, religious, educational, or other purposes as specified by 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) 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) states that in order to meet the operational test, 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 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)(1)(ii) provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

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 61-170, 1961-2 C.B. 112, held that an organization composed of professional private duty nurses and practical nurses that operates a nurses' registry primarily to afford greater employment opportunities for its members doesn't qualify for exemption under IRC Section 501(c)(3).

Rev. Rul. 67-367, 1967-2 C.B. 188, describes a nonprofit organization whose sole activity was the operation of a "scholarship plan" for making payments to pre-selected, specifically named individuals. The organization did not qualify for exemption from federal income tax under IRC Section 501(c)(3) because it was serving private rather than public interests.

Rev. Rul. 74-587, 1974-2 C.B. 162, held that an organization formed to provide low cost or long term loans to or purchase equity interests in business enterprises in economically depressed areas may qualify for exemption under IRC Section 501(c)(3).

Rev. Rul. 77-111, 1977-1 C.B. 144, held that an organization formed to increase business patronage in a deteriorated area by providing information on the area's shopping opportunities, local transportation, and accommodations didn't qualify for exemption under IRC Section 501(c)(3). Similarly, an organization whose purpose is to revive retail sales in an area of economic decline by constructing a shopping center doesn't qualify for exemption.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 179 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption regardless of the number or importance of truly exempt purposes.

Application of law

You are not described in IRC Section 501(c)(3) nor Treas. Reg. Section 1.501(c)(3)-1(a)(1) because you fail to meet the operational test. Specifically, the facts show that you are not operated exclusively for Section 501(c)(3) purposes. Instead, you were formed to support local, for-profit businesses.

You are not operated exclusively for an exempt purpose as described in Treas. Reg. Section 1.501(c)(3)-1(c)(1) and Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii). You engage in the substantial non-exempt activity of spotlighting and promoting local businesses, thus furthering their private interests.

Your activities are not charitable per Treas. Reg. Section 1.501(c)(3)-1(d)(2). You are not similar to Rev. Rul. 74-587 where the organization was supporting businesses in an economically distressed area. Instead, your area has no such designation.

You are like the organizations described in Rev. Rul. 61-170, Rev. Rul. 67-367, and Rev. Rul. 77-111 because the benefits you provide to local businesses serve a private interest. Similarly, promoting a board member's for-profit business on your website serves a private interest rather than a public interest

As described in Better Business Bureau, you are furthering a substantial non-exempt purpose that will destroy exemption regardless of the number and importance of any truly exempt purposes.

Conclusion

You do not qualify for recognition of exemption from federal income tax as an organization described in IRC Section 501(c)(3). You are operating for a substantial nonexempt purpose which serves the private interests of local businesses and your founder.

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