



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

Date:
06/26/2025
Employer ID number:

Form you must file:

Person to contact:

Release Number: 202538034
Release Date: 9/19/2025
UIL Number: 501.03-00, 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
PO Box 2508
Cincinnati, OH 45201

Date:
05/02/2025
Employer ID number:

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

Legend:

B = Date
C = State
D = Person

UIL:

501.03-00
501.33-00

Dear Applicant:

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 B, in the State of C. 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 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 IRC 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 Form 1023-EZ indicated you will donate funds to be used for the express purpose of paying medical bills and other living expenses for a severely injured individual named D.

During review of your Form 1023-EZ, detailed information was requested supplemental to the above attestations.

Your response indicated you formed to collect donations to help offset medical expenses not covered by _____, both physical and mental, as well as unpaid utilities incurred by D, who was severely injured in an accident.

Your organizing body includes a president and vice-president. Both positions are voluntary and involve soliciting donations for D. Your president also serves as your director. D is the _____ of your president/director, who is responsible for the receipt of all donated funds and manages the payments for D's expenses.

Law

IRC 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)-l(a)(1) 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 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)-l(d)(1)(ii) states that an organization is not organized or operated exclusively for one or more of the purposes unless it serves a public rather than private interest. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose; thus, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or their family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Revenue Ruling 67-367, 1967-2 C.B. 188, held that an organization whose sole activity is the operation of a 'scholarship' plan to award scholarships to pre-selected, specifically named individuals, doesn't qualify for exemption under IRC Section 501(c)(3). By operating to provide scholarships to pre-chosen individuals, the organization is not operating for the public interest but rather to further the private interests of specifically named individuals, which does not further exempt purposes under Section 501(c)(3).

In Wendy L. Parker Rehabilitation Foundation, Inc. v. Commissioner, T.C. Memo 1986-348 (1986), the tax court upheld the Service's position that a foundation formed to aid coma victims, including a family member of the founders, wasn't entitled to recognition of exemption. Approximately 30% of the organization's net income was expected to be distributed to aid the family coma victim. The court found that the family coma victim was a substantial beneficiary of the foundation's activities and constituted inurement, which is prohibited under IRC Section 501(c)(3).

Application of law

You do not meet one of the two main tests for qualification of exempt status set forth in of IRC Section 501(c)(3). As stated in Treas. Reg. Section 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 have failed the operational test for the reasons explained below.

You are not operating in accordance with Treas. Reg. Section 1.501(c)(3)-1(c)(1) because you are not primarily engaged in activities that accomplish exempt purposes as specified in IRC Section 501(c)(3). Your primary activity is to collect and distribute funds to cover the medical bills and utility bills of D, who is your president/director's . Serving private interests is a bar to exemption under Section 501(c)(3), as described in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii). Soliciting donations and paying bills for D is a direct benefit which serves private interests. This is contrary to the provisions for exemption under Section 501(c)(3). Therefore, you are precluded from exemption under IRC Section 501(c)(3).

In addition, you are similar to the organization described in Rev. Rul. 67-367. Like this organization, you have a pre-selected individual who receives all your disbursements to facilitate payment of medical treatments and other related costs. You confirmed that no other funds received by you will be used for any other purpose; therefore, you are serving private interests and do not meet the operational test for exemption under IRC Section 501(c)(3).

You are also similar to the organization in Wendy L. Parker Rehabilitation Foundation, Inc., which was found to serve private interests by providing aid to a specifically named individual who was related to the organization's board members. Similarly, the court found that the board members related to the family coma victim were 'private individuals' within the meaning of the regulations and the distribution of funds or services to them from the organization relieved the family of the economic burden of providing care. The court ultimately ruled this to be inurement. Similarly, you are providing money to one beneficiary who is the grandchild of your president/director. As previously stated, this furthers private interests and constitutes inurement, which do not further exempt purposes under IRC Section 501(c)(3).

Conclusion

Based on the information you provided, we have determined you do not meet the requirements for tax exemption under IRC Section 501(c)(3). By providing a financial benefit to a pre-selected individual, you are serving private interests and not the public interest. The requirements for federal tax exemption under Section

501(c)(3) demand organizations be both organized and operated for the public interest, not private interests; fundraising exclusively for the benefit of D, who is the grandchild of your president/director, serves private interests and constitutes inurement. Therefore, you do not qualify for exemption under Section 501(c)(3). Donations to you are not deductible.

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