



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

Date:
07/01/2025
Employer ID number:

Form you must file:

Person to contact:

Release Number: 202539012
Release Date: 9/26/2025
UIL Code: 501.00-00, 501.03-00, 501.03-30, 501.35-00

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:
05/14/2025
Employer ID number:

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

Legend:

B = Date
C = State
D = Game
E = Entity
v percent = percentage
w percent = percentage
x dollars = dollar amount range
y dollars = dollar amount

UIL:
501.00-00
501.03-00
501.03-30
501.35-00

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 were incorporated on B in the State of C. You were previously formed as an LLC but converted to a non-profit corporation. Your Articles of Incorporation state that your purpose is to engage in any lawful act or activity for which corporations in C may be organized. Your Articles are silent regarding the distribution of your assets upon dissolution.

Your bylaws state that your purpose is to break down gender-based barriers to participating in gaming. Your bylaws indicate that your purposes are among those described in IRC Section 501(c)(3) and that upon your dissolution your property will be distributed for one more exempt purposes under Section 501(c)(3). However, you are a corporation, and those provisions are absent from your formation document, your Articles of Incorporation.

You are dedicated to creating inclusive and welcoming environments for individuals of all genders with a primary focus on tabletop and card games. You maintain the flexibility to expand to other types of gaming in the future. Through various initiatives, advocacy, and community building, you strive to promote diversity, provide safe play spaces, advocate for representation, and create a supporting network for games.

Your purpose includes breaking down gender-based barriers faced by participants in gaming communities, particularly in D. These type of gaming communities, especially competitive communities, are often male-dominated spaces. Many players of marginalized genders have traditionally faced high barriers to entry and ostracization within these spaces due to factors such as economic inequity, prejudiced behavior, personal harassment, and lack of adequate facilities or support at events, among others.

The activities you conduct in furtherance of your purposes include, in order of greater percentage of time and funds spent on each to lesser:

- Hosting tournaments for players of marginalized genders
- Creating an online community and support networks for players of marginalized genders
- Providing a safe play space at conventions
- Improving representation of people of marginalized genders at competitive tournaments and diversity in hiring of game designers
- Advocating for greater gender diversity in the wider community

Your for-profit predecessor began hosting tournaments in the digital gaming space, which you now operate. Although D is a tabletop game, it is played online. These -week D tournaments you host are league-style for women and non-binary people. These tournaments are now sponsored by a bigger corporation, E, and includes all people belonging to marginalized genders. Participants in the tournaments are from dozens of countries all over the world. The tournaments are funded by the license agreement you have with E, entry fees, and small miscellaneous sponsorships. You spend the majority of your time, v percent, on this activity and most of your funds, w percent.

You spend a smaller amount of time hosting an online community on a text-based chat service. The community is limited to players self-identifying as belonging to one or more marginalized genders. It's an online space for people to communicate with others facing similar challenges, as well as to talk about gaming, arrange meet-ups, and more.

Additionally, you spend a small amount of time hosting safe play spaces at conventions. This consists of negotiating with convention organizers to appoint certain areas as safe. This space helps attendees find an area where they can play without the worry of facing gender-based barriers, such as harassment.

You also help support the development of D players in the competitive scene and advocated in the D community for breaking down gender-based barriers by writing articles and appearing on podcasts and panels.

In the future, you plan to continue hosting the league-style tournament, work to provide safe play spaces at more conventions with a wider range of services, and grow the online community by creating more events, workshops, and content aimed at players of marginalized genders. Other future projects include:

- advocating for policies which materially support players of marginalized genders with E and other gaming and event companies;
- creating a network of local groups which host physical gaming events for players of marginalized genders; and
- creating content aimed at beginner players which help them navigate and thrive in gaming spaces.

You also plan to start or support corresponding initiatives in games other than D. There are many tabletop card game and board game communities which share similar challenges with the D space.

Your website provides a description of your activities and then link to follow on various platforms. There is information available about the tournament and competitive play. For those wanting to play, there is a nominal entry fee of x dollars, with an opportunity to win a monetary prize of y dollars.

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)-1(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 operational test, it is not exempt.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization limit the purposes of such an organization to one or more exempt purposes; and do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(4) holds that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or operation of law, be distributed for one or more exempt purposes.

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 promotion of social welfare by organizations designed to eliminate prejudice and discrimination.

Treas. Reg. Section 1.501(c)(3)-1(d)(3) defines the term 'educational' as including the instruction of the public on subjects useful to the individual and beneficial to the community.

In Rev. Rul. 72-228, 1972-1 C.B. 148, an organization was formed to promote equal rights for women, primarily in connection with employment and other economic opportunities. It studied employment conditions and conducted investigations in instances where discrimination based on sex appeared to be present. Its evaluations of employment practices and recommendations for eliminating discrimination were published and distributed free of charge to guide employers in establishing and maintaining equal employment opportunities for women. By investigating instances of apparent discrimination and disseminating its findings, and by counseling women as to available remedies, the organization was attempting to eliminate prejudice and discrimination. Accordingly, the organization's activities were charitable and educational and it was exempt under IRC Section 501(c)(3).

In Rev. Rul. 75-285, 1975-2 C.B. 203, an organization formed to eliminate discrimination against members of minority groups seeking employment in the construction trades by recruiting, educating, and counseling workers, providing technical assistance to attorneys involved in suits to enforce workers' rights, and acting as court-appointed monitor after successful suits, was found to be organized and operated exclusively for charitable and educational purposes under IRC Sec. 501(c)(3).

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 devoted to exempt purposes exclusively. The presence of a single non-exempt purpose, if more than insubstantial in nature, will destroy the exemption, regardless of the number and 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, T.C. Memo 1985-162 (1985), the Tax Court held that a science fiction society failed to qualify for tax-exempt status under IRC Section 501(c)(3). The society's principal activity was conducting an annual science fiction convention. Although some of the organization's functions at its annual conventions were educational, its overall agenda was not exclusively educational and included activities such as . A substantial portion of convention affairs were social and recreational in nature and did not qualify as furthering exempt purposes under Section 501(c)(3).

In GameHearts v. Commissioner, T.C. Memo 2015-218 (2015), the court held that an organization was not operated exclusively for exempt purposes by promoting adult sobriety and general welfare through gaming opportunities in a sober environment. The primary games used were tabletop customizable games, such as card and miniature games, with a strong interest in promoting role playing games. To encourage adult sobriety, they offered two separate programs. One was a tutorial on how to play the games, and the second was "organized play." The court held that gaming in an alcohol-free environment may provide a therapeutic outlet to recovering addicts, and community-minded sobriety may benefit the community as a whole, but the question of exemption turns on whether there is a single substantial nonexempt purpose, notwithstanding the importance of other exempt purposes. The decisive factor was the form of recreation which the organization stated was akin to therapy. This same "therapy" was offered by for-profit entities, and the organization stated it would boost

market shares for the industry by introducing new participants to this recreational market and received surplus materials from the industry as well. Because of the inherently commercial nature of the recreation and its ties to the for-profit recreational gaming industry, the court held that the organization did not qualify for exemption under IRC Sec. 501(c)(3).

Application of law

IRS Section 501(c)(3) sets forth two main tests for qualification of exempt status. 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). Based on the information you provided in your application and supporting documentation, we conclude that you fail both the organizational and operational tests.

Because your Articles of Incorporation do not limit your purposes to those described in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i), you fail the organizational test in IRC Section 501(c)(3). Furthermore, your Articles are silent regarding the disposition of your assets upon your dissolution, which also causes you to fail the organizational test as described in Treas. Reg. Section 1.501(c)(3)-1(b)(4).

You do not meet the provisions in Treas. Reg. Section 1.501(c)(3)-1(c)(1). You are a predecessor to a for-profit entity, and the majority of your time and funds are spent hosting competitive gaming tournaments sponsored by a corporation and funded through a commercial license agreement, entry fees, and small sponsorships. Specifically, you devote the majority of your time and resources to social and recreational D activities. These facts show you are operated for substantial nonexempt recreational and social purposes which precludes you from exemption under IRC Section 501(c)(3).

As provided in Treas. Reg. Section 1.501(c)(3)-1(d)(2), you have not established that your operations accomplish exclusively charitable purposes. You have also not established that you are operating exclusively for educational activities as provisioned in Treas. Reg. Section 1.501(c)(3)-1(d)(3). You are a predecessor to a for-profit entity, and most of your time and funds are spent hosting competitive gaming tournaments sponsored by a corporation and funded through a commercial license agreement, entry fees, and small sponsorships. Any charitable or educational purposes you further are incidental to your primary purpose of operating recreational gaming tournaments with ties to the commercial gaming industry. Therefore, you do not qualify for exemption under IRC Sec. 501(c)(3).

You are dissimilar to the organizations described in Rev. Rul. 72-228 and Rev. Rul. 75-285. Unlike these organizations, you do not devote a majority of your time and resources to activities such as conducting studies on the impacts of prejudice and discrimination; recruiting, educating, or counseling marginalized individuals seeking employment opportunities; or providing technical legal assistance or educational material as it relates to marginalized individuals; or working on other activities that actively eliminate apparent discrimination against disadvantaged individuals. As a result, your educational and charitable activities are incidental compared to the time and resources spent on your social and recreational purposes. Accordingly, you have not established how operating recreational gaming tournaments with for-profit ties furthers charitable or educational purposes as required for exemption under IRC Sec. 501(c)(3).

You contend that the events you hold are to provide a safe place for marginalized genders to meet with their peers in a nonthreatening way. However, you have the substantial purpose of conducting competitive gaming activities for the pleasure and recreation of your members and others. As stated in Better Business Bureau of Washington, D.C., Inc., the presence of a single non-exempt purpose, if more than insubstantial in nature, will

destroy a claim for exemption, regardless of the number and importance of truly exempt purposes. Although some of your activities may include educational and charitable aspects, such as providing a safe play space at conventions, improving representation of people of marginalized genders at competitive tournaments, and improving diversity in hiring of game designers, these are insubstantial compared to the time and resources you devote to hosting competitive gaming tournaments sponsored by a corporation and funded through a commercial license agreement, entry fees, and sponsorships. Therefore, you are operated for substantial nonexempt recreational and social purposes, which precludes exemption under IRC Section 501(c)(3).

You are similar to the organizations described in St. Louis Science Fiction Limited and Minnesota Kingsmen Chess Association, where substantial social and recreational activities prohibited exemption under IRC Section 501(c)(3). Similar to these two organizations, a substantial portion of your activities are directed toward social and recreational activities, even though you conduct other activities which may further charitable or educational purposes. Again, as stated in Better Business Bureau of Washington, D.C., Inc., organizations must be operated exclusively for exempt purposes; therefore, you do not qualify for exemption under IRC Sec. 501(c)(3).

You are also similar to the organization described in GameHearts. Like that organization, you do not operate exclusively for exempt purposes within the meaning of IRC Section 501(c)(3) because you also further substantial nonexempt social and recreational purposes. Again, the majority of your time and resources are spent hosting recreational gaming tournaments, which are sponsored by a corporation and funded in part by a commercial license agreement. Like GameHearts, your activities are not without an inherently commercial nature due to your ties to the for-profit recreational gaming industry. As previously stated, Better Business Bureau of Washington, D.C., Inc. requires organizations be operated exclusively for exempt purposes; therefore, you do not meet the requirements for exemption under IRC Sec. 501(c)(3).

Conclusion

Based on the information submitted, you do not qualify for exemption under IRC Section 501(c)(3). You do not meet the organizational test because your organizing document does not limit your purposes or dedicate remaining assets upon dissolution to one or more exempt purposes described in Section 501(c)(3). You also do not meet the operational test for Section 501(c)(3) because your social and recreational activities further substantial nonexempt purposes. Accordingly, you do not qualify for exemption under Section 501(c)(3) and donations to you are not tax 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