



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

Date:
07/02/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202539014
Release Date: 9/26/2025
UIL Code: 501.04-00, 501.36-00

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)(4). 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.

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:
05/06/2025
Employer ID number:

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

Legend:

B = State

C = Date

s percent = percentage

t percent = percentage

v dollars = dollar amount

x dollars = dollar amount

y dollars = dollar amount

z dollars = dollar amount

UIL:

501.04-00

501.36-00

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)(4). 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)(4)? No, for the reasons stated below.

Facts

You were incorporated in B on C as a Nonprofit Corporation.

Your Articles of Organization list the following statements:

The mission of the nonprofit is to continue to educate domestic and foreign taxpayers how to navigate through the complexities of tax laws and regulations of the United States along with foreign treaty countries. In addition, the nonprofit intend to participate in fundraising, lobby whereas allowed, accept donations for research and development of taxpayer-friendly tax platforms in the best interest of taxpayers. Also, whenever required the nonprofit make accountable to review and/or reporting any revenue susceptible to taxation or controlling authorities.

This nonprofit employs tax professionals licensed as attorneys, CPA's, enrolled agents and tax preparers with years of tax experience practicing worldwide taxation. As recorded, this nonprofit tax platform will continue to educate the taxpaying public in complying with all tax laws and regulations established by the domestic and/or foreign taxing authorities. The nonprofit intends to continue to operate as determined by majority of the board of directors.

Your bylaws state your purpose as:

The Corporation is a full-time tax service company supported by membership and donations. Being a tax-exempted under section 501(c)(4) allows this nonprofit structure to collaborate with other nonprofits, the industry's leaders, and law-makers in the best-interest of taxpayers (IT-BOIT). As a tax-exempted organization, this taxpayer-friendly tax platform allows the Corporation to extend its influences through otherwise closed networks through social education in benefiting taxpayers. The Corporation intends to enroll in tax education programs approved by the Internal Revenue Service (IRS) having English as a second-language.

Your Form 1024-A states that you will create taxpayer-friendly tax services for all income levels to educate them about their tax rights and responsibilities. You state in your application that "in times of personal emergencies, I may need to invoice for services provided as a licensed tax professional," and "this principle may be applied to other key personnel."

You established a three tier member-based structure.

- The first tier includes a US taxpayers-class as equal members through a registration process based on the availability of resources. You state that you have "scaled back on individual taxpayers except those having hardship," and you dedicate s percent of your time to individual taxpayers, among these individuals you charge x dollars per hour for complicated cases, and do not charge for simple cases.
- The second tier includes donation-class members. You require members to donate y dollars and pay an annual membership fee of z dollars to become a member, and in exchange the members receive comprehensive tax services. You state that you dedicate approximately t percent of your time to member services.
- The third tier includes "feet-on-the-ground personnel including support volunteers providing valuable services in manpower or financial and overhead support."

You will seek to partner with Taxpayers Advocate Service (TAS), which is an independent organization within the IRS that helps taxpayers with tax problems. You stated that TAS offers grants to tax-exempt organizations that provide free tax assistance to low-income and underserved taxpayers. You further stated that TAS requires that all grantees to be tax-exempt entities.

Law

IRC Section 501(c)(4) provides for the exemption from federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes. Exemption shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(4)-1(a)(2)(i) provides that an organization is operated exclusively for the promotion of general welfare where the organization is primarily engaged in promoting the common good and general welfare.

Treas. Reg. Section 1.501(c)(4)-1(a)(2)(ii) provides that an organization is not operated primarily for the promotion of social welfare if its primary activity is carrying on a business with the general public in a manner like organizations which are operated for profit.

Revenue Ruling 68-46, 1968-1 C.B. 260, held that an organization did not qualify for exemption from federal income tax under IRC Section 501(c)(4) where it was primarily engaged in renting a commercial building and operating a public banquet and meeting hall. Although the organization carried on various social welfare activities, the organization's business activities exceeded all its other activities and thus the organization was not exempt under Section 501(c)(4).

Rev. Rul. 70-535, 1970-2 C.B. 117, described an organization formed to provide management, development and consulting services for low and moderate income housing projects for a fee. The organization did not qualify under IRC Section 501(c)(4) because the organization's primary activity was carrying on a business by managing low and moderate income housing projects in a manner like organizations operated for profit. The organization was not operated primarily for the promotion of social welfare. The fact that these services were being performed for tax-exempt corporations did not change the business nature of the activity.

Rev. Rul. 77-273, 1977-2 C.B. 195, concerned an organization that provided security services for residents and property owners of a particular community whose residents donated money at a specified hourly rate to pay for the services. The entity provided private security services, such as emergency rescue, and guards for homes, businesses, and construction projects on a regular basis in return for certain compensation. It carried on a business with the general public in a manner like organizations operated for profit. The fact that the organization occasionally provided free services did not satisfy the requirements of the regulations.

Memorial Herman Accountable Care Organization v. Commissioner, T.C. Memo. 2023-62 (2023), stated that the denial of tax-exempt status under IRC Section 501(c)(4) was appropriate when the primary benefit was to a private class, and not to the community, and that incidental benefit to society did not remedy the primary benefit going to a private class.

Application of law

You have not demonstrated that you are described in IRC Section 501(c)(4). You have not shown that you are operated exclusively for the promotion of social welfare and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes. You stated in your application that "in times of personal emergencies, I may need to invoice for services provided as a licensed tax professional," and "this principle may be applied to other key personnel." Your application and responses indicate that most of your time is dedicated to servicing paying customers in a manner like a for profit business, as elaborated below. This indicates that the earnings of your organization are not devoted exclusively to charitable, educational, or recreational purposes and that you therefore are not operated exclusively for the promotion of general welfare.

Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i) specifies that an organization is operated exclusively for the promotion of general welfare where the organization is primarily engaged in promoting the common good and

general welfare. Treas. Reg. Section 1.501(c)(4)-1(a)(2)(ii) provides that an organization is not operated primarily for the promotion of social welfare if its primary activity is carrying on a business with the general public in a manner like organizations which are operated for profit. You have not shown that you are primarily engaged in promoting the common good and general welfare because your representations in your application and responses demonstrate that your primary activity is providing tax services for paying members in a manner like organizations which are operated for profit.

You are like the organization described in Rev. Rul. 77-273. In Rev. Rul. 77-273, an organization that provided security services in exchange for donations, was determined to be charging a fee for the services and was not exempt under IRC Section 501(c)(4) because its primary activity was carrying on a business in a manner like organizations operated for profit. In the same manner, your primary activity is tax related services, this type of business activity is commonly conducted to produce a profit.

You are like the organization described in Rev. Rul. 68-46 because although you do represent that you provide some free services, this is not your primary activity. Providing services in exchange for a fee in a manner like organizations operated for profit is your primary activity as you have "scaled back on individual taxpayers except those having hardship." You require members to donate y dollars and pay an annual membership fee of z dollars to become a member and your members receive comprehensive tax services. While you may characterize these payments as donations, the payments are in exchange for services and are thus fees for services. You dedicate s percent of your time to individual taxpayers and you charge x dollars per hour for individuals with complicated cases, however, you do not charge individuals with some form of hardship with simple cases. You dedicate most of your time (t percent) to your paying members. Providing some free services while most services are paid does not allow for tax exemption under IRC Section 501(c)(4).

You are like the organization in Rev. Rul. 70-535. In Rev. Rul. 70-535, an organization that provided various services for low and moderate income housing projects for a fee was not exempt under IRC Section 501(c)(4) because its primary activity was carrying on a business in a manner like organizations operated for profit. In the same manner, your primary activity is carrying on tax related services, and not promoting social welfare. You provide routine services to members after they pay the initial y dollars entry fee and pay the annual z dollars membership fee, you then charge an additional hourly rate of x dollars for individuals or v dollars for businesses that require more complicated services. You stated that "free tax services depend on the available resources." You have not represented that most of your clients are or will be low income, you have only stated interest in obtaining a Low Income Taxpayer Clinic (LITC) grant from TAS. Even if you did make such a representation, as in Rev. Rul. 70-535, having low income clients does not automatically allow for exemption under Section 501(c)(4) where your primary activity is operating in a manner like organizations operated for profit.

You are like the organization described in Memorial Herman Accountable Care Organization, which found that the denial of tax-exempt status under IRC section 501(c)(4) is appropriate where the primary benefit is to a private class, and not to the community, and that incidental benefits to society do not remedy the primary benefit going to a private class. You primarily benefit your paying members which are a private class, rather than the community, because most of your time (t percent) is dedicated to servicing your paying members. While there is an incidental benefit to society of taxpayers having their taxes done, the primary benefit is to your paying members.

Your position

You are a registered nonprofit organization in the State of B and have been solely funded by one of your board member's personal finances. One of the main reasons for you to apply for the tax-exempt status is to meet the requirements established by TAS to be eligible for LITC matching grants. Along with one of your board members' personal investment and professional involvements, you have already generated the interest of several high-net-worth prospective donors.

Our response to your position

You do not provide services exclusively for low-income taxpayers, however, even if you did, this is not in and of itself a social welfare purpose. See Rev. Rul. 70-535, which describes an organization formed to provide management, development and consulting services for low and moderate income housing projects for a fee. The revenue ruling held that the organization did not qualify under IRC Section 501(c)(4). It stated that because the organization's primary activity was carrying on a business by managing low and moderate income housing projects in a manner like organizations operated for profit, the organization was not operated primarily for the promotion of social welfare. The fact that even these services were being performed for tax exempt corporations did not change the business nature of the activity.

Conclusion

Based on the information submitted, you have failed to establish that you are operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(4) and the related income tax regulations. The benefits provided by you are primarily for your paying members and you operate in a manner like organizations operated for profit. Thus, you are not operated exclusively for the promotion of social welfare within the meaning of Section 501(c)(4).

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