



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

Date:
07/10/2025
Employer ID number:

Form you must file:

Person to contact:

Release Number: 202540015
Release Date: 10/3/2025
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

Enclosures:
Letter 437
Redacted Letter 4034
Letter 4038



**Department of the Treasury
Internal Revenue Service**

Date:
05/23/2025
Employer ID number:

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

Legend:

S = Date
T = Location
U = National Identity

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.

Issue

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 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 an IRC 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 indicated on Form 1023-EZ that you provide a community for U living in T to engage with likeminded people from their homeland. Activities include organizing social events, get-togethers, and fostering a community that welcomes ex-pats who are seeking connection.

During our review of your Form 1023-EZ, we requested detailed information to supplement the above attestations.

You conduct social and recreational activities for your members. You require your members to pay dues at the start of each year in an amount determined by the budget you set for your annual activities. You host bi-monthly happy hours at your office building and conduct other social and recreational activities every one to two months. You also welcome your staff members and their families to attend your events.

Past activities you have conducted included competing in an annual amateur rugby touch tournament against other social clubs; watching professional baseball and soccer games; participating in a and a trip; and attending an event. Your sports competition activities consist of amateur organized sports competitions between other competitors. No level of talent is required; no training is provided by you. You purchase tickets to events or pay any related fees for your members and their families from annual dues.

Your only source of revenue is dues, which you use to pay fees or purchase tickets to events on behalf of your members and their families. You also buy refreshments for your bi-monthly happy hour socials. You reported your operating costs are near net zero, and the amount of time you spend on your activities is minimal, e.g., a couple of hours per week on administrative tasks and then the rest spent on activities. You stated you exist solely as a club to provide social events for members funded by dues.

Law

IRC Section 501(c)(3) provides for the recognition of exemption for organizations that are organized and operated exclusively for religious, charitable, educational, 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 to be exempt as an organization described in IRC Section 501(c)(3), the organization must be both organized and operated exclusively for one or more of such the exempt purposes described in this 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) 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 as 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) states that an organization is not 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 the advancement of religion.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) provides that the term “educational,” as used in IRC Section 501(c)(3), relates to the instruction or training of individuals for the purpose of improving or developing their capabilities, or the instruction of the public on subjects useful to the individual and beneficial to the community.

In Revenue Ruling 65-191, 1965-2 C.B. 157, an exempt organization was formed to extend hospitality, promote cultural and educational programs, and provide an environment for social contact to further cultural awareness and understanding for international visitors and students. The organization operated a hospitality-type community center, which provided a library, auditorium, lounges, several meeting rooms, and other facilities to conduct educational programming for its members and the public, which included lectures, discussions, educational films, musical programs, and certain language courses. By providing an environment that fostered cultural awareness and a better understanding and appreciation of international customs, the organization was held to further exempt purposes under IRC Sec. 501(c)(3).

Rev. Rul. 67-139, 1967-1 C.B. 129, Situation 2, describes a gem and mineral club formed by hobbyists and enthusiasts “to disseminate knowledge of mineralogical and lapidary subjects” and promote activities related to these subjects, along with good fellowship among its members. To further its purposes, the club held social meetings to discuss relevant topics and sell, purchase, and/or exchange rocks and minerals. In addition, bulletins were issued discussing members’ social activities and rock and mineral collections, and an annual show was held for the general public where members displayed their lapidary techniques and mineral specimens. It was determined that the club was organized and operated primarily for the benefit, pleasure, or recreation of its members. Its activities were only incidentally educational, and as such, the club did not qualify for tax exemption under IRC Section 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 held that the presence of a single non-exempt purpose, if substantial, will destroy a claim for exemption, regardless of the number or importance of truly exempt purposes.

In Spanish American Cultural Association of Bergenfield v. Commissioner, T.C. Memo 1994-510 (1994), an organization was created to foster the cultural heritage of the local Spanish-American residents. Except for charitable donations and scholarships, along with an educational presentation designed to introduce Spanish-American culture to the local community, the organization primarily engaged in social activities designed to provide Spanish-American residents with a sense of community. They were granted exempt status under IRC Section 501(c)(4), but then applied for exempt status as a charitable organization described in Section 501(c)(3). It was found that they did not qualify under IRC Section 501(c)(3) because

their social activities were more than insubstantial in comparison to its charitable activities.

Application of law

IRC 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). You do not meet the requirements for recognition of tax exemption because you fail the operational test as described below.

You formed to foster a sense of connection and community for U living in T by organizing social and recreational events for your members. As a result, your operations are similar to those of a social club whose activities serve private interests by providing for the pleasure of its membership, which precludes exemption under IRC Section 501(c)(3). By organizing substantial social and recreational activities, you are not exclusively furthering exempt purposes as required in Treas. Reg. Section 1.501(c)(3)-1(c)(1).

As stated in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii), organizations exempt under IRC Section 501(c)(3) must serve a public rather than a private interest. Accordingly, the public interest is not furthered if an organization furthers the private interests of its members as you do by existing solely as a club to provide dues-funded social events for the benefit of your members. Although your activities may provide a sense of community and connection for U in T, your activities also serve the private interests of designated individuals, your dues-paying members, which precludes exemption under Section 501(c)(3).

You are not like the organization granted exemption in Rev. Rul. 65-151. Unlike this organization, your activities are directed toward your members' social and recreational pleasure, which does not further exempt purposes under IRC Section 501(c)(3). For instance, you do not further educational purposes as defined in Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i), such as by providing educational instruction or training on sports for the public to improve or develop their capabilities. Instead, you arrange for your members to attend sporting events as spectators and participate in amateur sporting competitions with no training or skill level requirements, which does not further exempt purposes under Section 501(c)(3).

Likewise, you do not further charitable purposes as defined in Treas. Reg. Section 1.501(c)(3)-1(d)(2). Unlike the organization in Rev. Rul. 65-151, your activities do not further charitable and educational purposes, such as promoting social welfare through fostering cultural awareness and understanding between your members and the public with lectures and discussions, educational film showings, or language courses. Rather, you provide a community for U living in T to engage with likeminded people from their homeland. Although this type of comradery may provide respite for your members, it does not, by itself, further exempt purposes under IRC Sec. 501(c)(3). As a result, the required charitable and educational elements needed for exemption under Sec. 501(c)(3) are missing from your activities. You benefit the private interests of your members by providing them with social and recreational activities; you do not further the public interest or educate your members and the public in any meaningful way.

You are like the organization denied exemption in Revenue Ruling 67-139. Similar to this organization, you also formed to promote good fellowship amongst your members and provide social and recreational activities for their benefit, pleasure, and recreation. While the intent of your activities may contain incidental charitable or educational aspects, the primary purpose for which you are organized and operated is to conduct recreational activities for the benefit, pleasure, and recreation of your members. This furthers a substantial nonexempt purpose and precludes exemption under Section 501(c)(3).

You are similar to the organization denied exemption in Spanish American Cultural Association of Bergenfield. Like this organization, you also conduct a substantial amount of non-exempt social and recreational activities, which is contrary to the requirements for exemption under IRC Sec. 501(c)(3). Although this organization's activities were designed to provide Spanish-American residents with a sense of community, similar to how your activities are intended to provide connection and community for U living in T, Better Business Bureau of Washington, D.C., Inc. established that the presence of a single non-exempt purpose, if substantial, will destroy a claim for exemption, regardless of the number or importance of truly exempt purposes. Therefore, like the organization in Spanish American Cultural Association of Bergenfield, you also do not meet the requirements of IRC Section 501(c)(3) because more than an insubstantial part of your activities is not in furtherance of an exempt purpose.

Conclusion

Based on the facts and circumstances provided in your application materials, you do not meet the operational test under IRC Section 501(c)(3) because substantially all of your activities further nonexempt social and recreational purposes. Thus, you do not meet the requirements for federal tax exemption under Section 501(c)(3). Contributions to you are not deductible by your donors.

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