



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

Date:
09/15/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202550032
Release Date: 12/12/2025
UIL Code: 501.03-00, 501.03-05

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

Redacted Letter 4038



**Department of the Treasury
Internal Revenue Service**

Date:
07/29/2025

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date

C = State

UIL:

501.03-00

501.03-05

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 formed on B in the state of C. You state you have three different activities:

- Conducting empirical research on measuring and analyzing emerging censorship in heavily censored areas and creating innovative anti-censorship network protocols
- Developing and distribution on free and open-source software
- Creating and maintain hardware infrastructure for communication

You state you are developing an open-source desktop application designed to simplify the deployment, management, and sharing of censorship circumvention proxy servers within the internet censorship circumvention ecosystem. The purpose of the software is to lower the technical barrier for user to securely set up and maintain proxies thereby enhancing decentralized and resilient access to open internet in censored environments.

The software will primarily be used by individuals in countries where internet censorship is prevalent, particularly netizens seeking unrestricted access to global online information. Additionally, technical volunteers and researchers working on internet freedom projects can utilize your software to facilitate broader adoption of circumvention tools. You are promoting your software through open-source communities, social media, community outreach, direct outreach to advocacy groups, academic research and conferences. You aim to reach both technical and non-technical users interested in strengthening online access against censorship.

Your users will leverage your software to:

- Easily deploy personal proxies for secure and private internet access
- Share proxy access securely with friends and family in censored regions
- Utilize advanced circumvention protocols without needing deep technical knowledge
- Contribute to a decentralized censorship resistance network by running and maintaining independent proxy nodes

Your open-source software is designed to be self-service, meaning users can download, install, and use it independently. However, you do anticipate offering the following services:

- Community support via forums and documentation that is free and publicly available
- Regular software updates and security improvements – Maintained as part of your open-source software project
- Technical guidance for organizations that are interested in deploying censorship-resistant networks which is provided on a case-by-case basis

You do not charge for these services as your mission is to promote free access to information. However, organizations seeking custom implementations or advanced technical consulting may require external funding or collaboration agreements.

In addition to your open-source software you engage in:

- Censorship circumvention research – Conducting studies on new blocking techniques and designing solutions to counter evolving censorship threats
- Community engagement and education – Providing educational material and resources to help users in censored environments better understand and use circumvention tools
- Collaboration with academic and advocacy groups – Sharing research insights and best practices with institutions working on internet freedom
- Policy and technical advocacy – Contributing to discussions on digital rights censorship and internet governance

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 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 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 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.

Treas. Reg. Section 1.501(c)(3)-1(d)(3) defines the term educational as the instruction or training of the individual for the purpose of improving or developing his capabilities or the instruction of the public on subjects useful to the individual and beneficial to the community.

Treas. Reg. Section 1.501(c)(3)-1(d)(5) provides that a scientific organization must be organized and operated in the public interest. Therefore, the term scientific, as used in Section 501(c)(3), includes the carrying on of scientific research in the public interest. Scientific research does not include activities of a type ordinarily carried on as an incident to commercial or industrial operations, as, for example, the ordinary testing or inspection of materials or products or the designing or construction of equipment, buildings, etc. Scientific research will be regarded as carried on in the public interest: (a) If the results of such research (including any patents, copyrights, processes, or formula resulting from such research) are made available to the public on a nondiscriminatory basis; (b) If such research is performed for the United States, or any of its agencies or instrumentalities, or for a State or political subdivision thereof; or (c) If such research is directed toward benefiting the public.

Revenue Ruling 65-1, 1965-1 C.B. 226, held that an organization that made research grants for the development of new machinery to be used commercial operations and retained all the rights to the new developments, did not qualify for exemption under IRC Section 501(c)(3).

Rev. Rul. 65-2, 1965-1 C.B. 227, held that a foundation operated exclusively to teach children a sport by holding clinics conducted by qualified instructors in schools, playgrounds, and parks and by providing free instruction, equipment, and facilities qualifies for exemption under IRC Section 501(c)(3).

Rev. Rul. 66-179, 1966-1 C.B. 139, provides illustrations under which garden clubs may establish exemption as charitable or educational organizations, civic organizations, horticultural organizations, or as social clubs.

Rev. Rul. 66-255, 1966-2 C.B. 210, holds that a nonprofit organization which through meetings, films, forums, and publications educates the public in a particular method of painless childbirth is entitled to exemption.

Rev. Rul. 66-358, 1966-2 C.B. 218, described a situation where an acceptance of funds and adjacent realty by an exempt organization for establishing a public park did not affect its exempt status under IRC Section 501(c)(3) even though the corporate donor retained the right to continue using the picture of a certain scenic view in the park as its brand symbol.

Rev. Rul. 68-373, 1968-2 C.B. 206, held that an organization which primarily engaged in testing drugs for commercial pharmaceutical companies did not qualify for exemption under IRC Section 501(c)(3).

Rev. Rul. 70-186, 1970-1 C.B. 128, held that an organization formed to preserve a lake as a public recreational facility and to improve the condition of the water in the lake to enhance its recreational features qualified for exemption under IRC Section 501(c)(3) as a charitable organization that erected or maintained a public work. The ruling determined that, by treating the water, removing algae, and otherwise improving the condition of the

water, the organization ensured the continued use of the lake for public recreational purposes and therefore performed a charitable activity. Furthermore, the benefits of the organization's activities flowed principally to the public through the maintenance and improvement of public recreational facilities.

Rev. Rul. 71-29, 1971-1 C.B. 150, held that providing the city transit authority with the funds necessary to ensure that bus service for the city is continued is a charitable disbursement furthering exempt purposes.

Rev. Rul. 72-369, 1972-2 C.B. 245, describes an organization formed to provide managerial and consulting services for nonprofit organizations exempt under IRC Section 501(c)(3) of the Code to improve the administration of their charitable programs. The instant organization made no profit from providing its services. An organization is not exempt merely because its operations are not conducted for the purpose of producing a profit. To satisfy the 'operational test' the organization's resources must be devoted to purposes that qualify as exclusively charitable within the meaning of Section 501(c)(3) and the applicable regulations. Providing administrative services does not serve a charitable purpose. Thus, the organization did not qualify for exemption under Section 501(c)(3) of the Code.

In Better Business Bureau of Washington D.C. Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes.

In American Campaign Academy v. Commissioner, 92 T.C. 1053, 1076 (1989), discussing Columbia Park & Recreation Assn. v. Commissioner, 88 T.C. 1, 18-21 (1987), *affd.* without published opinion, 838 F.2d 465 (4th Cir. 1988), the court indicated that the charitable purpose of an organization is not merely determined by the number of persons benefitted. Specifically, the size of an organization is meaningless if it is not fully integrated with a public element. Qualitative and not quantitative factors are more determinant of an organization's charitable purpose. Further, class size is only one factor to be considered in the qualitative analysis; it is not the sole determinant. It was also determined that the activities by the organization in this case substantially benefitted the private interests of political entities and candidates more than incidentally, which is a substantial non-exempt purpose.

In Jacobsen v. Katzer, 535 F.3d 1373 (Fed. Cir. 2008), it was found that under copyright law, dedicating certain works to the public appears to include mere licensing to the public does not divest the copyright holder of all right, title, and interest to the work.

Application of law

IRC Section 501(a) provides for the exemption from federal income tax for organizations described in 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 do not meet the requirements under Section 501(c)(3) because you fail the operational test as explained below.

You have not demonstrated that you are operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3). A substantial part of your activities is in furtherance of creating and maintaining open-source software, which is not an exempt purpose; therefore, as described in Treas. Reg. Section 501(c)(3)-1(c)(1), you are not operated exclusively for exempt purposes.

You are not operating exclusively for charitable, educational, or scientific purposes. You are operated for a substantial nonexempt purpose because you develop open-source software that authorizes use freely by anyone worldwide for any purpose, including potential nonexempt commercial, recreational, or personal purposes, campaign intervention and lobbying. These providers and producers also derive a commercial advantage from your open-source software because in its absence, they would either need to perform their own research, develop their own software, or would have to purchase commercial software. You are like the organization in Better Business Bureau because you have a single non-exempt purpose that is substantial in nature.

The Creation and Maintenance of Open-Source Software Does Not Further Scientific Purposes.

You do not qualify for tax exemption as a scientific research organization for your activities related to the research and development of open-source software. To qualify as an IRC Section 501(c)(3) scientific research organization, an organization must (1) engage in scientific research; (2) the scientific research must not include activities that are incident to commercial or industrial operations; and (3) the scientific research must be undertaken in the public's interest, as described in Treas. Reg. Section 1.501(c)(3)-1(d)(5).

Your self-described activities of research and development of technology such as software are like the two organizations described in Rev. Rul. 65-1 and Rev. Rul. 68-373, in that you are engaging in routine software and technology design, development, testing, and distribution, similar to that which a commercial software company engages in to create new products or adapt their products to new uses to be competitive in the market.

Your activity is of a type ordinarily carried on as an incident to commercial or industrial operations. The fact that the source codes for these programs will be open to the public does not remove such activity from being incidental to commercial operations. Therefore, even if your research is made available to the public, you have not demonstrated that you conduct scientific research because your activities are an incident to commercial operations.

The Creation of Open-Source Software Does Not Further Charitable Purposes

You are like the organization in Rev. Rul. 72-369 because your resources are not devoted to purposes that qualify as exclusively charitable as described in Treas. Reg. Section 1.501(c)(3)-1(d)(3). Whatever public good you claim your open-source software provides, it is not the type of public benefit contemplated by IRC Section 501(c)(3). Not all organizations which incidentally enhance the public good will be classified as “public” organizations within the meaning of Section 501(c)(3). For example, commerce clearly provides an economic benefit to the community, but Treas. Reg. Section 501(c)(3)-1(c)(1) limits the kinds and amounts of commerce exempt organizations may conduct. Because open-source software is not an innately charitable activity, and because you do not limit the use of your open-source software to a charitable class, the development and distribution of this software by you to the public under open-source licenses is not the type of benefit to the community contemplated by Section 501(c)(3) and does not further charitable purposes as described in Treas. Reg. Section 1.501(c)(3)-1(d)(2). Furthermore, an organization is not exempt merely because its operations are not conducted for the purpose of producing a profit.

Your activities do not further a charitable purpose because you do not limit your services to a specific charitable class. The class of people served must be both indefinite and have charitable characteristics. See American Campaign Academy, in discussing Columbia Park & Recreation Assn.. Indefinite means that the specific members comprising the class are not fixed. The public is an indefinite class, as are the users of the open-source software you are developing. The magnitude and breath of the benefited class does not cause it to be inherently

charitable. The large size of the benefited class does not diminish the need for the class to have charitable characteristics. Charitable characteristics are analyzed qualitatively.

The Creation of Open-Source Software Is Not a Public Work

Your substantial purpose is the development and distribution of open-source software. Treas. Reg. Section 1.501(c)(3)-1(d)(2) defines the term charitable to include “erecting or maintaining public buildings, monuments, or works.” The charitable purpose underlying the concept of public works from Scott and Ascher on Trusts, 5th ed. Section 38.6, as noted in American Campaign Academy, is to provide facilities for the benefit of the community at public expense.

Open-source software fails several key tax characteristics of public works. First, software is not a facility. It is not a lake, park, or like any other public work described in Rev. Rul. 66-358 and Rev. Rul. 70-186. Software is intangible, and by its very nature, software is not fixed; its perpetual existence and access by the public relies upon private persons hosting the code on private servers, and anyone may alter the software. Second, software is not “ordinarily provided at public expense.” It is not something ordinarily constructed by public bodies for use by members of the public. Third, anyone can appropriate it or portions of it for nonpublic uses. For instance, private persons can use it for nonexempt purposes. Finally, public works must serve a community.

In Jacobsen v. Katzer, the court recognized that free and open software licenses are used by “software engineers to dedicate certain works to the public” and Rev. Rul. 71-29, recognized that purposes beneficial to the community have been deemed charitable. Complete public ownership is an essential tax characteristic of “public works” within that term’s meaning under IRC Section 501(c)(3). Since you retain the copyrights for your open-source software, you do not satisfy the essential public ownership requirement of public works. Under copyright law, dedicating certain works to the public appears to include mere licensing to the public that does not divest the copyright holder of all right, title, and interest to the work.

Because open-source software fails the essential tax attributes of public works, you do not qualify for exemption under IRC Section 501(c)(3) as an organization erecting or maintaining public buildings, monuments, or works within the meaning of Treas. Reg. Section 1.501(c)(3)-1(d)(2).

The Creation of Open-Source Software Does Not Further Educational Purposes

You claim you are developing and maintaining open-source software and will be providing technical guidance and community support in your forums. Treas. Reg. Section 1.501(c)(3)-1(d)(3) defines educational as the instruction or training of the individual 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. While you may conduct some activities with educational aspects, you are not operated exclusively for exempt purposes, because you are operated for substantial nonexempt purposes. Unlike the organizations in Rev. Rul. 65-2, Rev. Rul. 66-179, and Rev. Rul. 66-255 which provided instructional training, lecture, workshops, exhibits and presentations, you primarily develop and distribute open-source software.

Conclusion

Based on the foregoing, we have determined that you were formed for the purpose of creating, developing, and publishing a specific product. You are operating for substantial non-exempt purposes. In addition, you do not further a scientific purpose, do not serve a charitable purpose, serve a charitable class, are not a public work, and do not further an educational purpose as described in IRC Section 501(c)(3). Therefore, you do not qualify for exemption under Section 501(c)(3).

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