



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: 202550033
Release Date: 12/12/2025
UIL Code: 501.03-00, 501.03-05, 501.33-00, 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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Letter 437

Redacted Letter 4034

Redacted Letter 4038

cc:



**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

D = Program

e percent = Percent

F = Program

g percent = Percent

h percent = Percent

K = Name

UIL:

501.03-00

501.03-05

501.33-00

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. Your Articles of Incorporation stated that you are dedicated to providing holistic support aimed at amplifying the brand and marketing effectiveness of tomorrows leading social-impact-focused non-profit and start-up organizations. They further state that, upon dissolution, your assets will be distributed for one or more exempt purposes within the meaning of IRC Section 501(c)(3).

You are dedicated to empowering and elevating the impact of purpose-driven startups and non-profit organizations through strategic branding initiatives. Your goal is to help non-profits and startups articulate their vision, enhance their visibility, and amplify their voice. To accomplish this you conduct a Brand Strategy Development Program, and Business Growth Consulting Program.

Your D program assists non-profits and startups with developing a strong brand strategy that will enable them to differentiate themselves from other organizations working in similar fields. Your board members, volunteers, and branding and marketing agency partners negotiate costs of services, deliverables and personnel with these

non-profits and startups. This includes research, creation of a visual identity design, production of outreach and communication materials, development of integrated branding campaigns and activation strategies, and provision of training and support to internal teams or stakeholders to ensure consistent implementation of the strategy. You allocate e percent of your total time and resources to this program.

Your F program is allocated g percent of your total time and resources, and offers tailored guidance, strategic insights, and practical tools to accelerate the growth of non-profit and startups, enhance impact, and ensure long-term sustainability. This program is delivered through a series of interactive workshops, one-on-one consultations, and customized resources, including:

- In-depth market research and analysis services,
- Assessments by your board members and volunteers of the clients' strategies, and provision of recommendations for optimizing resources, reducing costs, and improving overall efficiency,
- Development of long-term sustainability plans, identification of revenue diversification opportunities, and creation of strategies for future growth and expansion,
- Development of strategies to nurture existing client relationships and encourage repeat business and referrals, and
- Establishment of key performance indicators to track the success of growth initiatives and ensure accountability.

Your services are provided to not-for-profit organizations, startups, or any organization that promotes social impact initiatives. Your ideal candidates are small, local, non-profit organizations that attempt to do community revitalization projects but cannot afford marketing costs. As long as the clients promote job creation, improved access to education and healthcare, environmental conservation efforts, or cultural preservation initiatives, you will volunteer to provide marketing and branding services at a very low cost.

Your volunteers will determine the cost of your marketing and branding services, utilizing their experience and various tools to generate accurate and customized pricing estimates for the services, as if these entities were for-profit entities. The fees actually charged will be discounted by at least h percent for organizations promoting social impact initiatives.

Ideally you would like to offer your services completely for free, but in order to maintain financial stability, fees will be charged to at least half of your clients. In determining which clients get free services, you look at a number of factors, including:

- Will the marketing services enhance the effectiveness of the clients' programs or initiatives?
- How will the marketing service benefit the people or communities the organization serves?
- Can the organization afford the discounted marketing services within its current budget?
- Are there specific grants or donor funds available that could cover the cost of marketing services?
- Are these services necessary to meet long-term goals, or do they address immediate, but less critical, needs?
- Will outsourcing services allow staff and volunteers to focus on more important work?
- Does the client have the internal skills or resources to perform these services in-house?
- If the client doesn't pay for services, will it miss out on opportunities for growth, efficiency, or improved impact?

You spend approximately half of your total time and services dedicated to organizations that are exempt under IRC Section 501(c)(3). The other half of your time and services will be dedicated to non-Section 501(c)(3) organizations. All of your services will be heavily discounted at least 50 percent regardless of their exempt status.

You serve as the non-profit arm of K and will be wholly aimed at providing heavily discounted or pro bono professional services that align with your target social impact areas or outcomes. You will share resources with G only when it amounts to delivering more cost effective or higher value outcomes to your social impact areas.

You will be primarily funded by donations and fees-for-services. Your expenses include fundraising expenses and compensation of officers, directors, and trustees.

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(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization 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(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)(1)(ii) provides that an organization is not organized or operated exclusively for 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(e)(1) provides that an organization may meet the requirements of IRC Section 501(c)(3) although it operates a trade or business as a substantial part of its activities if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business (as defined in Section 513).

Revenue Ruling 69-528, 1969-2 C.B. 127, concerns an organization formed to provide investment services for a fee exclusively to organizations exempt under IRC Section 501(c)(3). The ruling states that providing investment services on a regular basis for a fee is a trade or business ordinarily carried on for profit. If the

services were regularly provided by one tax-exempt organization for other tax-exempt organizations, such activity would constitute unrelated trade or business. Thus, the ruling holds that the organization is not described in Section 501(c)(3) since it is regularly carrying on the business of providing investment services that would be unrelated trade or business if carried on by any of the tax-exempt organizations on whose behalf it operates.

Rev. Rul. 71-529, 1971-2 C.B. 234, states that a nonprofit organization that provides assistance in the management of participating colleges' and universities' endowment or investment funds for a fee substantially below the cost of providing such service, qualifies for exemption under IRC Section 501(c)(3).

Rev. Rul. 72-369, 1972-2 C.B. 245, held that an organization formed to provide managerial and consulting services at cost to unrelated exempt organizations does not qualify for exemption under section 501(c)(3) of the Code. The fact that the services in this case are provided at cost and occasionally for exempt organizations is not sufficient to characterize this activity as charitable within the meaning of section 501(c)(3) of the Code. Furnishing the services at cost lacks the donative element necessary to establish this activity as charitable.

In Better Business Bureau of Washington, D.C. v. United States, 326 U.S. 279 (1945), the Supreme Court determined that the presence of a single non-exempt purpose, if substantial in nature, will destroy exemption under IRC Section 501(c)(3) regardless of the number or importance of any other exempt purposes.

Application of law

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests to qualify for exempt status. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). You have failed to meet both requirements, as explained below.

Your Articles of Incorporation indicate that your purpose is to provide holistic support aimed at amplifying the brand and marketing effectiveness of tomorrows leading social-impact-focused non-profit and start-up organizations. Accordingly, you fail the organizational test because you do not satisfy the requirements stated in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i).

As described in Treas. Reg. Section 501(c)(3)-1(e)(1), the operation of a trade or business, if it is in furtherance of the organization's exempt purpose(s), may meet the requirements of Section 501(c)(3). Your consulting services are offered to both non-profit and for-profit organizations. Offering consulting services, even at a discount, to for-profit organizations does not further Section 501(c)(3) purposes. Similar to the organization described in Rev. Rul. 69-528, the provision of these services to non-profit and for-profit organizations for a fee shows that you are organized and operated for the primary purpose of carrying on an unrelated trade or business.

You are like the organization described in Rev. Rul. 72-369, and unlike the organization in Rev. Rul. 71-529. You are furnishing commercially available services to non-profit and for-profit organizations. You have indicated that you determine the cost of your services by discounting the standard cost of these services by f percent. You have not provided if this final cost is substantially below the cost of providing the service.

Although providing these consulting services may be considered charitable, if they are offered to other nonprofit organization below the cost of providing the service, you are also serving the private interests of the for-profit organizations that you provide services to as described in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

Accordingly, you do not meet the operational test of IRC Section 501(c)(3) because you are not operating exclusively for charitable purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1).

You are like the organization described in Better Business Bureau. Although you may serve some charitable purposes when providing these consulting services to nonprofits, you also serve the private interests of the for-profit organizations that you provide services to. Providing these services constitutes a substantial non-exempt purpose that would preclude exemption under Section 501(c)(3).

Conclusion

You are neither organized nor operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3). Your formation document does not limit your purposes to those described in Section 501(c)(3). Additionally, you fail the operational test because you were formed to serve the private interests of your participating businesses as opposed to those of the public. Accordingly, 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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements