DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
1100 Commerce Street, MC 4920DAL
Dallas, TX 75242

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: DEC 19 2019

Number: **202052037**
Release Date: 12/24/2020

UIL: 501.03-00

EIN:

Person to Contact:

Identification Number:

Telephone Number:

Fax Number:

CERTIFIED MAIL - Return Receipt Requested
LAST DAY FOR FILING A PETITION WITH THE TAX COURT:

Dear :

This is a final determination that you do not qualify for exemption from federal income tax under section 501(a) of the Internal Revenue Code (the "Code") as an organization described in section 501(c)(3), effective January 1, 20XX. Your determination letter dated January 8, 20XX is revoked.

Our adverse determination as to your exempt status was made for the following reasons:

> Organizations described in section 501(c)(3) of the Code and exempt under section 501(a) must be both organized and operated exclusively for exempt purposes. You have not demonstrated that you are operated exclusively for charitable, educational, or other exempt purposes within the meaning of 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. You have not established that you have operated exclusively for an exempt purpose.

As such, you failed to meet the requirements of section 501(c)(3) of the Code and Treasury Regulation section 1.501(c)(3)-1(a), in that you have not established that you were organized and operated exclusively for exempt purposes and that no part of your earnings inured to the benefit of private shareholders or individuals.

Organizations that are not exempt under section 501 of the Code generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms, and information please visit www.irs.gov.

Contributions to your organization are no longer deductible under section 170 of the Code.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims, or 3) the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed within 90 days from the date this determination was mailed to you. Please contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment by referring to the enclosed Publication 892. You may write to the courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, DC 20217

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20005

U. S. District Court for the District of Columbia
333 Constitution Ave., N.W.
Washington, DC 20001

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under section 7428 of the Code.

We'll notify the appropriate state officials (as permitted by law) of our determination that you aren't an organization described in section 501(c)(3) of the Code.

You may be eligible for help from the Taxpayer Advocate Service (TAS). 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 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 every1hing possible to help you. Visit www.taxpayeradvocate.irs.gov or call 1-877-777-4778.

Taxpayer Advocate assistance can't be used as substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determination, nor extend the time fixed by law that you have to file a petition in Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

You can get any of the forms or publications mentioned in this letter by calling 800-TAX-FORM (800-829-3676) or visiting our website at www.irs.gov/forms-pubs.

If you have questions, you can contact the person listed at the top of this letter.

Enclosures:
Publication 892

Sincerely,

maria Hooke

Maria D. Hooke
Director, EO Examinations

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

Date:
5/21/2019
Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact:

Employee ID:
Telephone:
Fax:
Manager's Contact Information:

Employee ID:
Telephone:
Response Due Date:

CERTIFIED MAIL – Return Receipt Requested

Dear :

Why you're receiving this letter
We enclosed a copy of our audit report, Form 886-A, Explanation of Items, explaining that we propose to revoke your tax-exempt status as an organization described in Internal Revenue Code (IRC) Section 501(c)(3).

If you agree
If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(3) for the periods above.

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170.

If you disagree
1. Request a meeting or telephone conference with the manager shown at the top of this letter.

2. Send any information you want us to consider.

3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

   The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the

IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

   If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

If we don't hear from you
If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final adverse determination letter.

Contacting the Taxpayer Advocate Office is a taxpayer right
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 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.

For additional information
You can get any of 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 shown at the top of this letter.

Sincerely,

Maria Hooke BO
Director, Exempt Organizations
Examinations

Enclosures:
Form 886-A
Form 6018
Form 4621-A
Publication 892
Publication 3498

ISSUE:

Whether is organized and operating in accordance with Internal Revenue Code (IRC or Code) Section 501(c)(3).

FACTS:

Organizational History

was incorporated in the State of . applied for tax-exempt status by filing Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, on October 17, 20XX.

On December 9, 20XX, the Internal Revenue Service (IRS) requested additional information prior to making a determination decision. The additional information included:

"**1**. *Organization appears to be controlled by an individual family based on the composition of its governing body. To ensure that your organization will serve public interests, please modify your Board of Directors to place in control in the hands of unrelated individuals selected from the community you serve. Please submit the names and qualifications of the new board members, well as a statement signed by each that will take an active part in your operation. If you are unwilling to do so, please explain.*

2. *To what extent that and of the board members be involved in the activities of the corporation?*

3. *Will the corporation hold the title or ownership of all items in the museum?*

4. *Who donated the vehicles already in possession of the corporation?*

5. *How do these activities differ from hobby activities of the organizers of the corporations?*

6. *The vehicles currently held in the corporate name do not appear to be either vintage or classic models. Please explain.*

7. *There is no indication of a facility to be used for this organization either currently or in future financial projections. Please explain. If a facility has been identified, please provide information regarding the premises and contracts for such."*

On December 9, 20XX, the organization responded to the IRS for additional information; *See Exhibit 1 for the President response.

Per the response, the organization made changes to its governing body so that it is controlled by individuals from the community where it serves. The organization stated the and

will be in a place to be viewed by the public and the organization explained how their operation differs from a hobby activity.

IRS determined on January 8, 20XX that the organization will be classified as exempt under 501(a) of the Internal Revenue Code as an organization described in IRC section 501(c)(3) of the Code and under IRC Section 509(a)(2). The advance ruling period is from October 11, 20XX to December 31, 20XX.

Activities

According to its articles of incorporation, the primary purpose of the organization is to use the museum to house and display a growing collection of and as well as associated memorabilia. The organization will charge admission fees to defray the cost of maintaining and displaying the collection.

During the field examination and tour of the facility, it was observed that, there was no museum visible. The location is inside of a strip mall with various empty buildings with no names displayed. There was no access to the facility, no items were on display to the public, no visible access ramps for individuals with disabilities and there were no activities that exhibited exempt purpose.

On May 2, 20XX, Information Document Request 2 was issued out to the Power of Attorney (POA) and to . The document listed various questions pertaining to the operations of the organization. See Exhibit 2 for questions and response from the organization.

Board of Directors/Officers

Per Form 990-PF for tax year 20XX, the governing body consists of:

1. – President
2. - Vice President
3. - Assistant Direc
4. - Assistant Direc
5. - Assistant Direc
6. - Assistant Direc

Related Entity

is a private entity owned and controlled by the president of the organization. The president stated that is a product manufactured by the volunteers of , that refurbishes and and sell the products.

The organization has a website, , but has recently changed the website to . On the website, it stated that

purchased the rights to . There was no website for .

Returns filed

The organization filed Form 990 for 20XX and 20XX which are being examined. reported Revenue and Expenses on the filed Form 990 returns as follows:

Part VIII: Analysis of Revenue and Expenses	**20XX**	**20XX**
1. f. Contributions, gifts, grants, etc., received-	$0	0
g. Non-cash $0		
Total	$0	0
Other Revenue:		
7a. Gross amount from sales of Assets other than inventory		0
b. Less: cost or other basis and sales expenses		0
c. Gain or (loss)		(0)
10a. Gross Sales of Inventory $0		$0
b. less Returns and Allowances 0		0
c. Gain or (loss)	$0	$0
Total Revenue:	**$0**	**$0**

Operating and Admin Expenses	**20XX**	**20XX**
7. Other salaries and wages		0
11. Fees for services		0
11b. Legal		0
11c. Accounting	0	0
12. Advertising and promotion	0	0
13. Office Supplies	0	0
16. Occupancy	0	0
17. Travel	0	0
20. Interest	0	0
22. Depreciation, depletion, and amortization	0	0
23. Insurance		0
24. Other expenses		
a. Show fees	0	0
b. Postage and Shipping	0	0
Bank/Paypal Fee		0
Bike Parts/Services		0
c. Supplies	0	
d. Repairs and Maintenance	0	
e. All other expenses	0	0
25. Total Expenses	**$0**	**$0**
Revenue minus Expenses	**($0)**	**($0)**

On May 1, 20XX, an interview with , POA and was conducted at the office of the POA. During the interview, stated that the organization is a museum and that it meets the requirement of an organization that is operating exclusively for charitable purposes. He stated, the organization was created to educate the public and that it has a product that was made and sold by the volunteers of the organization to assist the museum in its operation.

During the interview, Agent stated to , that upon research, there was no physical address listed for ; but, the address shown on the Form 990 return for tax year 20XX was listed to .

stated that the address listed on the Form 990 of in , was the address where the facility was located during physical operations; but since then, the organization is in the process of dissolution and the new address is , . The new address is also the primary residence of . stated that " is not a business, but it's a product manufactured by the volunteers."

In regard to the operation, the president stated that the museum open 6 days a week, 9am – 5pm Monday through Friday and 9am – 2pm on Saturday. Volunteer hours varied; individuals were present when available. He further stated that the museum was not advertised in the local publications and the city's visitor guide.

During the interview the organization did not provide any photos, videos, brochures and other information requested on the information document request 1 issued on March 7, 20XX to show that the museum was exhibiting model trains or .

The agent requested a list of volunteers who assisted with the exempt activity, but stated that acquiring a list is not possible due to the fact that there were numerous volunteers. stated that all work was performed by the volunteers, but the volunteers did not receive any compensation for the services provided to the organization.

From the original Form 1023 application and articles of incorporation, the organization was supposed to receive financial support from donations, admissions and charitable events. Reviewing the organizations financial records such as the general ledger, credit card statements and Form 990 returns; the organization did not have any income from admissions and charitable events. Most of the income came from the production and selling of the products manufactured and classified as Gross sale from Inventory on the Form 990. The only contribution was received from .

The income received by the organization was through the sale of the product, " "; in the form of cash, credit cards, and paypal. Expenses of the organization is paid through numerous credit cards that are listed in the President's name, . Invoices of products ordered are in the name of both &

.

The research of through search engines on the internet such as " and local newspaper articles", disclosed that the organization claimed they use the profit from the sale of " " to fund the Museum. (Exhibit 4)

Per the " " website, the organization stated; "there were numerous items available for sale like: speaker and cable kits." (Exhibit 5)

Per in a statement (responds from question 7 of IDR2): " *is the brand name of the products manufactured by the volunteers of the . Examples include , or other items. Funds raised by these items help to support the costs of all functions, be it the facility, any artifacts, building a layout, restoring a , attending a shop to promote our good works, running a clinic for the public, etc.*"

Furthermore, through research, the agent observed there are other businesses in the area that sell similar products while operating as a for-profit entity.

Financial Analysis

During the review of the bank's statements, there were several transactions involving large amounts written on the organizations account, large withdrawal amounts and personal credit cards. A spread sheet was prepared to sample those transactions (See Exhibit 3). Listed below is the total amounts viewed from those transactions:

Checks written from the organization bank account: $0

Withdrawals from organization bank account: $0

Payments to Personal Credit Cards: $0

stated that he had obtained a line of credit from one of his personal credit cards and the withdrawals were a direct relation to the amount received from the line of credit. He stated that the checks written from the organization account was to pay vendors for inventory of the products. stated he used his personal credit cards to pay for items and activities that were a direct relation to the organization. stated that he was not able to obtain a credit card in the name of the exempt organization. There was no evidence from the review of books and records to corroborate that all of the expenses were paid for the operation of the exempt organization.

has multiple personal credit cards in his name that he claimed he uses for the exempt organization's purposes. He has a credit card that is specifically for gas purchases, and other credit cards which were all used for gas purchases and personal expenses. There were charges for food purchases from various restaurants and hotel lodging on the credit cards. The organization did not provide any documentation to verify that expenses from the credit cards were for exempt purposes. See Exhibit 3 for breakdown of expenses into personal and business-related category.

also stated that the organization is in the final stages of dissolution and all documents were transferred to a file on his computer and that there were models of and in the museum for display but were sold because of the dissolution of the organization. There were no records of the sale of any assets held for display in the museum.

LAW:

IRC section 170(b)(1)(A) In the case of an individual, the deduction provided in subsection (a) shall be limited as provided in the succeeding subparagraphs.

Any charitable contribution to—

(i) a church or a convention or association of churches,

(ii) an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on,

(iii) an organization the principal purpose or functions of which are the providing of medical or hospital care or medical education or medical research, if the organization is a hospital, or if the organization is a medical research organization directly engaged in the continuous active conduct of medical research in conjunction with a hospital, and during the calendar year in which the contribution is made such organization is committed to spend such contributions for such research before January 1 of the fifth calendar year which begins after the date such contribution is made,

(iv) an organization which normally receives a substantial part of its support (exclusive of income received in the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501(a)) from the United States or any State or political subdivision thereof or from direct or indirect contributions from the general public, and which is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of a college or university which is an organization referred to in clause (ii) of this subparagraph and which is an agency or instrumentality of a State or political subdivision thereof, or which is owned or operated by a State or political subdivision thereof or by an agency or instrumentality of one or more States or political subdivisions,

(v) a governmental unit referred to in subsection (c)(1)

IRC section 501(c)(3) exempts from federal income tax organizations which are organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and

which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Income Tax Regulations ("Treas. Reg.")

Treas. Reg. Section 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) of the regulations 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 section 501(c)(3)

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) is an organization is not organized or operated exclusively for one or more of the purposes specified in subdivision (i) of this subparagraph unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Treas. Reg. Section 1.501(c)(3)-1(d)(2) of the regulations provides that the term "charitable" is used in section 501(c)(3) of the code in its generally accepted legal sense and includes the promotion of education.

Revenue Ruling 72-369, 1972-2 C.B. 245 states, in part, that in order for an organization to pass the operational test, the organization's resources must be devoted to purposes that qualify as exclusively charitable.

Revenue Ruling 71-395, 1971-2 C.B.228, a cooperative art gallery was formed by a group of artists to exhibit and sell their works. Additional artists were admitted to membership only on approval of existing members. All works displayed at the gallery could be purchased by the public and many could also be rented. The gallery retained a commission from the sales and rentals to cover its cost of operation. In concluding that the art gallery was not entitled to recognition of exempt status, the ruling emphasized that the gallery was a vehicle for advancing the careers of its members and for its members, even though the exhibition and sale of paintings may be an educational activity in other respects."

Old Dominion Box Co.,Inc. v.United States, 477F2d. 340 (4th Cir. 1973), cert. denied, 413 US 910 (1973) ("operating for the benefit of private parties who are not members of a charitable class constitutes a substantial nonexempt purpose").

Am. Campaign Acad. v. Commissioner, supra at 1065-1066, When an organization operates for the benefit of private interests, such as designated individuals, the creator or his family, or persons directly or indirectly controlled by such private interests, the organization by definition does not

operate exclusively for exempt purposes.

Goldsboro Art League, Inc. v. Commissioner, 75 T.C. 337 (1980), a section 501(c)(3) organization operated two commercial-type art galleries in connection with an art center which furnished various educational and charitable services to the community. The art galleries sold works of arts created by various artists on consignment basis. The organization would set the sales price of each work of art and advertise the sale of the art works to the general public. Under the informal arrangement with the artists, the organization would turn over approximately 80 percent of the proceeds to the artists while retaining the remainder to cover expenses. The Tax Court held that the organization qualified for exemption under section 501(c)(3) because the primary purpose of the two galleries was to foster community awareness and appreciation of contemporary artists and to provide a constant flow of visual art of students to study techniques.

In making its decision, the Tax Court considered the following factors to be critical to its determination: (1) there were no other museums or galleries in the area, thus, the exhibition of art works showed a purpose primarily to educate rather than to sell and the selling activity served merely as an incentive to attract artists to exhibit their work; (2) works were selected for their representation of modern trends rather than salability; (3) the organization's convincing record of dedication to teach the public, through a variety of means, to appreciate art indicated that its sales activities were "secondary and incidental" to furthering its exempt purposes; and (4) of the more than 100 works of arts exhibited in the two galleries, only the art of works of 2 members of the organization were exhibited in the galleries.

TAXPAYER'S POSITION:

The taxpayer did not agree with the government position.

Per : The organization believes that it is entitled to exemption under section 501(c)(3) because their goals were to educate the public on /restorations, layout building. The president stated; "As we design our own products, we can show people how this is done and make them available for use on their layouts and teach them how to use them, as well as other products. These items were used/explained at our clinics. Educating people on artifacts and how they relate to the real allows modelers to understand how to use these things in prototypical operation on , or in actual operations at a full-fledged standard gauge museum. Learning about a restoration allows people to learn how to do this as well, and we also felt was a valuable 'earth resource" as it kept a lot of "junk" out of landfills and helped the plant as a whole by helping people to restore valuable by sharing information with each other."

GOVERNMENT'S POSITION:

The government determined that the organization is not operating exclusively for exempt purpose because of substantial private benefit accruing to the founder. Per the review of current activities, book and records and additional questions and response to the document issued out on

December 9, 20XX, we have found that the same issues exist as discovered during the determination process:

Question #1: The organization is still in control of an individual family. As stated in Exhibit 1, there is still an individual family member in control and not an unrelated individual(s) selected from the community where the organization serves. Per the response to the Internal Revenue Service issue regarding family control of the organization, the organization submitted a response stating that will be taking over position. It also stated that , COO and CFO of , would serve as president of the organization at the time the application was submitted. There was no evidence that these changes took place as reported during the determination process.

In tax period 20XX and 20XX, there is still a family member in control of the organization, who is the owner of the related entity, " ". This serves as conflict of interest between the 2 entities.

Question #2: There were no donation except from the President and another company; there were no other donations from the public.

Question #4: Per the Form 990 tax return for tax period 20XX, the only donated to the museum was by the President.

Question #5: Organization doesn't show how it differs from hobby activities. The activity conducted by the museum is the same as a hobby activity. The organization has not shown that the museum was operational and open for educational purposes to the public.

Question #6: Per Form 990 and other documents, there were no present that were held by the organization that could be deemed either vintage or classic models.

Question #7: Per the President , the organization was renting out a space for the museum, but now the organization is in the stages of being dissolved. All mail has been forwarded to primary residence. Per Form 990 tax return for tax period 20XX, the organizations address is the same as 's primary residence. There is no indication that a museum was operational and open to the public for educational purposes.

Per the original application and by-laws, the organization did not list or mention any activity where it would sell product, to raise funds to support the organization.

In the application for exemption, the organization stated 3 ways it would raise funding:

1. Donations
2. Admissions
3. Charitable fundraising events

There were no amendments, changes to the by-laws, to address additional activity for financial support.

Per the financial records, the income from the museum were due to sales of inventory that resemble a for profit activity. There were minimum to no donations from the public, no activities that resemble a facility that held artifacts such as and for the public to view and there was no documentation provided to show that there were exempt activities relating to a museum in the area.

There were no documentation and information provided to show any charitable fundraising events took place for the museum. There were no documents provided that the organization advertised events pertaining to the museum raising money for funding. Museums are normally advertised in local papers, city's visitor guide. There is no evidence that shows that was ever operational and open to the public. Based on lack of evidence, the organization is directly competing with other commercial stores, evidencing a commercial nature and purpose in operating a business.

The organization failed to provide any information on minutes relating to the activities of the museum and a list volunteers who assisted in the activity's museum. The expenses incurred by the organization consist of office supplies, occupancy, travel and other expenses (show fees, postage and shipping and parts). These expenses relate more towards an activity that manufactures products rather than organization that displays a collection of vintage and model

Based on the facts of the examination, the organization does not qualify for exemption since the operation of the museum directly confers a private benefit to and . Although the purpose in operating the museum may arguably benefit the public in the education of and the sale of supplies created by volunteers of the museum and the lack of documentation to show actual usage of a facility and operations of the museum, clearly benefit their private interest.

Per Revenue Ruling 71-395 and Rev. Rul. 76-152, an organization that operates for the benefit of private interests, such as designated individuals, by definition does not operate exclusively for exempt purposes.

This case is unlike Goldsboro Arts League, where the two galleries displayed and exhibited works of various artists, a majority of whom were not members of the organization. In this case, there is no evidence of and being displayed to the public and only products manufactured by the volunteers of the were sold, clearly serving a specific designated non-charitable class. Moreover, unlike Goldsboro Art League, numerous other and shops are in the same vicinity operating a for-profit entity for the same product claimed to be an exempt function.

The case is similar to Am. Campaign Acad. v. Commissioner because the organization operates for the benefit of private interests.

This has resulted in the assets of the organization inuring to the benefit of the private interest, ; the founder. This has violated IRC Section 501(c)(3) proscription of inurement to the benefit of any private shareholder or individual.

CONCLUSION:

does not qualify for exemption under section 501(c)(3) because it is not operating exclusively for exempt purpose and part of its earnings inured to the benefit of private individual. Therefore, it's tax-exempt status should be revoked as of 01/01/20XX.

Since the organization no longer qualifies for exemption, the organization must file Form 1120-C for tax year 20XX, 20XX and all subsequent years.