



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 45201

Date: 3/11/2025

Employer ID number:

Person to contact:

Release Number: 202523009

Release Date: 6/6/2025

UIL Code: 501.26-00

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(d). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit www.irs.gov.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437
Redacted Letter 4034
Letter 4038



Department of the Treasury
Internal Revenue Service
PO Box 2508
Cincinnati, OH 45201

Date:
01/14/2025
Employer ID number:

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

Legend:
B = Date
C = State

UIL:
501.26-00

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(d). This letter explains the reasons for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under IRC Section 501(d)? No, for the reasons stated below.

Facts

You were incorporated on B in the State of C as a non-profit corporation. Your Articles of Incorporation state you are formed for religious purposes within the meaning of IRC 501(c)(3) to provide faith-based recovery services and rehabilitation.

Your application states you will operate a religious residential recovery home for men and women recovering from substance abuse. The recovery home will operate as a ministry of a local church. Within the home, the residents will have daily time for prayer, bible reading, individual study time, and class time. Weekly, the residents will attend church, go to counselling sessions, and participate in life skill classes to re-enter communities. Occasionally, your residents will also join discipleship meetings, conferences, retreats, and other trainings.

Your staff will conduct the activities along with volunteers and third-party professionals. Funding will be exclusively from gifts, grants, or contributions. Your expenses are primarily for occupancy costs. The remaining expenses are for fundraising costs.

You stated you are not organized for the purpose of operating a communal religious community where members live a communal life following your tenets and teachings. You further stated you do not maintain a common or community treasury, nor do all members live in a communal manner. There are no requirements for membership, and your members do not operate any internally operated businesses.

Letter 4034 (Rev. 01-2021)
Catalog Number 47628K

Law

IRC Section 501(d) exempts certain religious and apostolic organizations exempt from federal income tax and provides that the following organizations are referred to in subsection (a): Religious or apostolic associations or corporations, if such associations or corporations have a common treasury or community treasury, even if such associations or corporations engage in business for the common benefit of the members, but only if the members thereof include (at the time of filing their returns) in their gross income their entire pro rata shares, whether distributed or not, of the taxable income of the association or corporation for such year. Any amount so included in the gross income of a member shall be treated as a dividend received.

Rev. Rul. 57-574, 1957-2 C.B. 161, describes religious or apostolic organizations exempt under IRC Section 501(d) as those organized for the purpose of operating a communal religious community where the members live a communal life and follow the tenets and teachings of the organization. The organization's property is owned in community, and activities typically consist of farming or manufacturing items for sale. Income is typically derived from contributions and the sale of manufactured items and is held in a common or community treasury used to defray the costs of communal living. Each member, upon joining, completely surrenders to the organization all property the member may possess at the time, and, upon leaving the organization, is entitled to no part of the group assets.

Rev. Rul. 78-100, 1978-1 C.B. 162, states that a communal religious organization that was formed to promote the tenets and practices of a particular church, but did not conduct any internally operated business activities, and was supported by the wages earned by some of its members from outside employment, did not qualify for exemption under IRC Section 501(d).

Twin Oaks Community v. CIR, 87 T.C. 1233 (1986), discussed the legislative history and purpose of IRC Section 501(d), which is to provide tax relief by eliminating the corporate level of taxation and leaving a single tier of individual tax for organizations that qualify for exemption under Section 501(d). The Tax Court quoted an opinion of the Ninth Circuit that the only requirements for the exemption are that there be a common treasury, that the members of the organization include pro rata shares of organization income when reporting taxable income and, implicitly, that the organization have a religious or apostolic character.

Application of law

You are not described in IRC Section 501(d) because you do not operate in a manner that meets the basic requirements to qualify for exemption as a religious or apostolic organization under Section 501(d).

As described in Rev. Rul. 54-574, you are not operating as a communal religious community because your property is not owned in community. You do not conduct internally supported business activities of which any income derived is placed into a community treasury; instead, your revenues are from donations or contributions from sources outside of your operations. Further, your members do not live a communal life following your tenets and teachings, precluding exemption under IRC Section 501(d).

You are similar to the organization denied federal tax exemption in Rev. Rul. 78-100 because, as previously stated, you are not supported by any internally operated business activities in which all the members have an individual interest; rather, you are supported by donations or contributions from outside sources to support your religious residential recovery home. Your residential recovery home may have religious aspects, but the

presence and/or practice of religious beliefs or activities is not sufficient to meet the requirements for exemption under IRC Section 501(d).

You are unlike the organization in Twin Oaks Community, because you do not have a common treasury, nor do you have and maintain a communal lifestyle for your members or maintain any internally operated businesses, as required for exemption under IRC Section 501(d). Again, the presence or practice of religious beliefs or activities is not sufficient to meet the requirements for exemption under Section 501(d).

Conclusion

Based on the information you provided, you do not qualify for tax-exempt status as an organization described under IRC Section 501(d). You operate a religious residential recovery home; you do not maintain a common or community treasury, nor do you operate a business for the common benefit of your members. Your members do not belong to a communal religious community nor live a communal life. Therefore, you are denied federal tax exemption under Section 501(d).

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