



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

Date:
05/12/2025
Employer ID number:

Person to contact:

Release Number: 202532014
Release Date: 8/8/2025
UIL Code: 501.03-00, 501.03-01

Dear :

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

Because you don't qualify as a tax-exempt organization under IRC Section 501(c)(3), donors generally can't deduct contributions to you under IRC Section 170.

We may notify the appropriate state officials of our determination, as required by IRC Section 6104(c), by sending them a copy of this final letter along with the proposed determination letter.

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

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

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

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437
Redacted Letter 4034
Letter 4038



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

Date:
03/14/2025
Employer ID number:

Person to contact:

Name:
ID number:
Telephone:
Fax:

Legend:

B = Date
C = State
D = Entity
E = Location
x percent = percentage
y dollars = dollar amount

UIL:

501.03-00
501.03-01

Dear :

We considered your Streamline Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, 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 meet the operational requirement of section 501(c)(3)? No for the reasons below:

Facts

You submitted Form 1023-EZ, *Streamline Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*.

You attest that you were formed as an unincorporated association on B in the State of C. You attest that you have the necessary organizing document, that your organizing document limits your purposes to one or more exempt purposes within the meaning of Section 501(c)(3), that your organizing document does not expressly empower you to engage in activities, other than an insubstantial part, that are not in furtherance of one or more exempt purposes, and that your organizing document contains the dissolution provision required under Section 501(c)(3).

You attest that you have not conducted and will not conduct prohibited activities under Section 501(c)(3). Specifically, you attest you will:

- Refrain from supporting or opposing candidates in political campaigns in any way.

- Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals.
- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially.
- Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s)
- Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a Section 501(h) election, not normally make expenditures more than expenditure limitations outlined in Section 501(h).
- Not provide commercial-type insurance as a substantial part of your activities.

Your Form 1023-EZ indicates you are organized to conduct various recreational, social, and support activities to promote the morale and wellbeing of D employees stationed at the E.

During review of your Form 1023-EZ, detailed information was requested supplemental to the above attestations.

You are a voluntary employee association. Your membership is limited to D employees stationed at E. You conduct various activities to boost morale in the workplace for your members, including:

- social and recreational activities, such as bowling, softball, and cornhole tournaments,
- employee appreciation days on certain holidays, such as Mother's Day or Veteran's Day, and
- providing financial support for special events upon member request, such as for picnics and parties for members' retirements or promotions.

You try to hold at least one event per month. Family members of D employees may also participate in your social and recreational activities.

Your gross revenues consist of fundraising, donations, and commissions earned from vending services. Any membership fees you may charge to D employees are limited to employee payroll deductions of no more than x percent, or donations of approximately y dollars per member.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for charitable, educational, or other enumerated 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) provides that, 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.

In Rev. Rul. 77-366, 1977-2 C.B. 192, an organization's stated purpose was to provide a continuing educational program in an atmosphere conducive to spiritual renewal for ministers, members of churches, and their families. The organization's only activities consisted of fourteen-day wintertime cruises on chartered ships, where approximately four hours a day were set aside for optional lectures, discussions, and workshops on religious topics, with the remainder of the time (which, if participants chose, could be all the time) available for meals, social functions, and recreational activities. Since the educational and religious programming was optional, and the social and recreational functions and activities were substantial, it was held the organization did not operate exclusively for exempt purposes and, therefore, did not qualify for exemption under IRC Section 501(c)(3).

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

In Spanish American Cultural Association of Bergenfield v. Commissioner, T.C. Memo 1994-510 (1994), an organization was created to foster the cultural heritage of the local Spanish-American residents. Except for the charitable donations and scholarships, the organization primarily engaged in social activities designed to provide Spanish-American residents with a sense of community. They were granted exempt status under IRC Section 501(c)(4), but then applied for exempt status as a charitable organization described in IRC Section 501(c)(3). It was found that they did not qualify under Section 501(c)(3) because their social activities (1) did not further exclusively exempt purposes and (2) were more than insubstantial in comparison to its charitable activities.

Application of law

You do not meet the requirements for recognition of tax exemption under IRC Section 501(c)(3) because you fail the operational test as described in Treas. Reg. Section 1.501(c)(3)-1(a)(1).

You are an employee association whose members participate in substantial social and recreational activities to improve their general wellbeing and workplace morale. By organizing extensive social and recreational activities for the exclusive benefit, pleasure, and recreation of your members, you are not furthering exempt purposes as required in Treas. Reg. Section 1.501(c)(3)-1(c)(1).

Although your activities may promote your members' general wellbeing and workplace morale, you have not established how these activities exclusively provide relief to the poor, distressed, or underprivileged, as defined under Treas. Reg. Section 1.501(c)(3)-1(d)(2). As such, your members do not represent a charitable class typically described in charitable precedent under IRC Section 501(c)(3). Further, the promotion of your employees' general welfare and workplace morale does not promote social welfare to the extent designed to lessen neighborhood tensions, combat community deterioration, or eliminate prejudice and discrimination, per Treas. Reg. Section 1.501(c)(3)-1(d)(2). Therefore, you do not further exclusively exempt purposes.

You are like the organization described in Rev. Rul. 77-366, because you have more than an insubstantial amount of social and recreational activities. While the general wellbeing and workplace morale of your members is important, such activities do not further exempt purposes under IRC Section 501(c)(3). Similar to the organization in Rev. Rul. 77-366, you offer a substantial amount of social and recreational activities for your members, including meals and social functions, which precludes exemption under IRC Section 501(c)(3).

As noted in Better Business Bureau of Washington, D.C., Inc., exemption under IRC Section 501(c)(3) cannot be granted when an organization has a non-exempt purpose which is more than insubstantial in nature. This is further clarified in Spanish American Cultural Association of Bergenfield, where substantial recreational activities prohibited exemption under Section 501(c)(3). Similarly, the primary purpose for which you are organized and operated is to conduct social and recreational activities for the benefit, pleasure, and recreation of your members. This furthers a substantial nonexempt purpose and precludes exemption under Section 501(c)(3).

Conclusion

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

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

If you don't agree

You have a right to protest if you don't agree with our proposed adverse determination. To do so, send us a protest within 30 days of the date of this letter. You must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference.
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative.
- The following declaration:

For an officer, director, trustee, or other official who is authorized to sign for the organization: Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, Power of Attorney and Declaration of Representative, with us if they haven't already done so. You can find more information about representation in Publication 947, Practice Before the IRS and Power of Attorney.

We'll review your protest statement and decide if you gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information in Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

Where to send your protest

Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Mail Stop 6403
PO Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Mail Stop 6403
Cincinnati, OH 45202

You can also fax your protest and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that they received it.

You can get the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

Contacting the Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or if you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements