



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

Date:
11/09/2022
Employer ID number:

Form you must file:
1120

Tax years:
All

Person to contact:

Release Number: 202305015
Release Date: 2/3/2023
UIL Code: 501.00-00, 501.03-00, 501.03-30,
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.

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**

PO Box 2508
Cincinnati, OH 45201

Date:
September 19, 2022
Employer ID number:

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

Legend:

B = State
C = Date
D = number
E = Date
x percent = amount
y percent = amount

UIL:

501.00-00
501.03-00
501.03-30
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 incorporated in the state of B on C. Your Articles of Incorporation state that you were organized as a "profit" corporation authorized to issue D shares of stock.

Per your Form 1023 application, you were formed to create opportunities for the underprivileged. Your founder is the sole member of your board of directors.

More detailed information regarding your formation and activities was subsequently requested. You indicated you were mistakenly set up as a profit corporation but should have been set up as a non-profit corporation and should be recognized as such going forward. However, the Articles of Amendment dated E that you provided still show your type as a profit corporation with authorized shares. No purpose or dissolution clauses are included within.

Your purpose is to connect with entrepreneurs to grow and expand their businesses. Your specific activity is looking for people to fund, educate, and help grow their business while also bringing in funding. Any entrepreneur who is looking to grow their business may participate, and you advertise as such.

You will select entrepreneurs to help based on their drive, passion, and income potential. Specifically, you will interview individuals about their business and vision, analyze the business to determine the best education and funding needs, create a plan for the business to be implemented, and then launch or re-launch the business. You will select using the following criteria:

- Must be an emerging market or profitable industry
- Must have a passionate owner or founder
- Must agree to repayment fees
- Must have integrity and a teachable individual

You require “repayment fees” after you help the business launch or re-launch. These fees will range from x to y percent of income and will be based on how much you do directly to help the business in their day-to-day operations and their needs going forward.

Your revenues consist of repayment fees and net unrelated business income. No expenses were noted.

Law

IRC Section 501(c)(3) provides for the exemption from federal income tax of organizations that are organized and operated exclusively for charitable, religious, educational, or other purposes as specified by 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 qualify under IRC Section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt 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 will be regarded as organized exclusively for one or more exempt purposes only if its articles of organization limit the purposes of such organization to one or more exempt purposes; and do not expressly empower the organization to 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(b)(4) provides that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization’s assets will be considered dedicated to an exempt purpose, if upon dissolution such assets would, by reason of a provision in the organization’s articles or operation of law, be distributed for 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 operated exclusively for one or more exempt purpose 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.

Revenue Ruling 74-587, 1974-2 C.B. 162, describes an organization that provided funding only to businesses located in a deteriorated area whose owners could not obtain conventional financing. The organization devoted its resources to programs to stimulate economic development in economically depressed, high-density, urban areas, inhabited mainly by low-income minority or other disadvantaged groups. Many of the businesses located in these areas had declined or fallen into disrepair, and others had ceased to operate. The organization's program was determined to be operated in a way that the law regards as charitable because it was lessening prejudice and discrimination, relieving poverty, reducing neighborhood tensions, and combatting community deterioration.

Rev. Rul. 77-111, 1977-1 C.B. 144, in Situation 1, described an organization formed to increase business patronage in a deteriorated area mainly inhabited by minority groups. It accomplished this purpose by providing information on the area's shopping opportunities and potential, local transportation, and accommodations. Although its activities may contribute to the achievement of the purposes described in IRC Section 501(c)(3), the overall thrust is to promote business rather than to accomplish exclusively Section 501(c)(3) objectives. The organization does not limit its activities like that of Rev. Ruling 74-587. Thus, it did not qualify for exemption under Section 501(c)(3).

In Better Business Bureau of Washington, D.C., Inc v. United States, 326 U.S. 279 (1945), the Supreme Court of the United States interpreted the requirement in IRC Section 501(c)(3) that an organization be operated exclusively by indicating that an organization must be devoted to exempt purposes exclusively. The presence of a single non-exempt purpose, if more than insubstantial in nature, will destroy the exemption regardless of the number and importance of truly exempt purposes.

Application of law

IRC Section 501(c)(3) sets forth two main tests for qualification of exempt status. Per 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 organizational test as explained in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) and 1.501(c)(3)-1(b)(4). You are organized as a profit corporation and your articles do not limit your purposes to one or more exempt purposes or dedicate your assets to an exempt purpose.

You do not meet the operational test because you are not operated "exclusively" for exempt purposes as required by Treas. Reg. Section 1.501(c)(3)-1(c)(1). More than an insubstantial part of your activities includes providing funding and advice to individuals to further their for-profit businesses. Your program is not limited for charitable purposes or to a charitable class. Instead, it serves the private interests of individuals and businesses, rather than a public interest as required by Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii). Like Better Business Bureau, this substantial, non-exempt purpose precludes exemption under IRC Section 501(c)(3).

You are dissimilar to Rev. Rul. 74-587 because you do not limit your program to devote your resources to benefit the community in a way that the law regards as charitable. You help any entrepreneur that demonstrates growth potential, and you receive fees in return for this assistance. You are instead similar to Rev. Rul. 77-111,

Situation 1, because your overall thrust is to promote business rather than accomplish “exclusively” exempt purposes.

Conclusion

Based on the facts and information submitted, you do not qualify for exemption under IRC Section 501(c)(3). You do not meet the organizational test because you are formed for profit, your articles do not limit your purposes to one or more exempt purposes, and your assets are not dedicated to an exempt purpose. You do not meet the operational test because you are operated for the substantial, non-exempt purpose of furthering businesses and private interests.

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