



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

Number: **202047012**

Release Date: 11/20/2020

UIL Number: 501.00-00, 501.03-05, 501.03-30,
501.33-00

Date:
August 25, 2020
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Name:
ID number:
Telephone:

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 Notice 437, Notice of Intention to Disclose, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Notice 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:

Notice 437

Redacted Letter 4034

Redacted Letter 4038



Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Date:
June 22, 2020
Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

B = Date
C = State
D = Date
e percent = Percentage
f percent = Percentage
x dollars = Amount
z dollars = Amount

UIL:

501.00-00
501.03-05
501.03-30
501.33-00

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 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 incorporated on B in the state of C. You attest that you are organized and operated exclusively to further charitable purposes. You attest that you have not conducted and will not conduct prohibited activities under IRC 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 in excess of expenditure limitations outlined in Section 501(h)
- Not provide commercial-type insurance as a substantial part of your activities

Your mission or most significant activities on the Form 1023-EZ is as follows:

To build small business working partners in the community. To include the community with small business. To provide networking & operational education to the community for business in surrounding community.

During review of your Form 1023-EZ, detailed information regarding your activities was requested supplemental to the above attestations. You were incorporated on D in the state of C as a public benefit corporation. Your Articles of Incorporation state your specific purpose is to serve as a community networking group. Your Bylaws state that you were formed as a business league to generate and exchange business referrals and promote business networking opportunities amongst your membership.

Your activities include, but are not limited to, weekly gatherings, hosting community gatherings, and participating in citywide community events. The weekly meetings consist of informal member networking, an educational presentation to the members lasting approximately five minutes, a description of services offered by each member which last approximately thirty seconds per member, the introduction of guests, the exchange of business referrals, and such other matters. A binder may be made available to the member at each regular weekly meeting for the purpose of inserting a members' business cards. Only members shall be allowed to make business cards available in the binder; however, any member or guest may remove business cards from such binder for any legitimate business purpose.

Your criteria for selecting members include:

- Must be a business owner or representative of a business or a community organization
- Their business category within their industry must not already be represented within the membership
- Must be willing and able to invest in membership dues, and
- Must not miss more than three weekly meetings per quarter or risk termination or suspension.

Your Bylaws state that there is one class of members and any person dedicated to your purposes shall be eligible for membership. Membership is based on approval of the membership application by the board of each group and on timely payment dues, provided, however that a candidate for membership shall be ineligible for membership if a member in good standing provides a similar good or service and has received approval from the board of directors to market such good or service at regular meetings of the members. The executive board has final say in any replacement, acceptance, or say in all memberships for all or any groups. You state that new members can be recruited, referred, or can seek you out on their own if they wish to join as long as their professional category isn't filled.

You spend e percent of your time and resources on weekly gatherings, f percent on community gatherings, and f percent on community events. Your annual membership dues are x dollars per year, or z dollars per month. The price of membership is designed to be an affordable investment for any start up or existing business to take advantage of and see an improvement in their marketing bandwidth. Your funding comes solely from membership dues.

Law

IRC Section 501(c)(3) provides, in part, for the exemption from federal income tax to organizations organized and operated exclusively for charitable, religious or educational purposes, where no part of the net earnings inures 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. If an organization fails to meet either the organizational or operational test, it is not exempt.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) states 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 one or more of the purposes specified in the regulations unless it serves a public rather than a private interest. To meet the requirement of this section, it is necessary for an organization to establish that it is not organized or operated for 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.

Revenue Ruling 59-6, 1959-1 C.B. 121, describes a professional association that was not entitled to exemption under IRC Section 501(c)(3) because its educational program was only an incidental part of its total activities. It had as its principal purpose the professional advancement of its membership.

Rev. Rul. 61-170, 1961-2 C.B. 112, holds that an association composed of professional private duty nurses and practical nurses which supported and operated a nurses' registry primarily to afford greater employment opportunities for its members was not entitled to exemption under IRC Section 501(c)(3). Although the public received some benefit from the organization's activities, the primary benefit of these activities was to the organization's members.

Rev. Rul. 71-504, 1971-2 C.B. 231, describes an organization exempt under IRC Section 501(c)(6) that primarily directed its activities to the promotion of the common business purposes of its members. The organization could not be reclassified as an organization described in Section 501(c)(3). The activities were directed primarily at the promotion of the medical profession and thus further the common business purpose of its members. It was held that the presence of a single noncharitable or noneducational purpose, if substantial in nature, precluded exemption under Section 501(c)(3) regardless of the number or importance of truly charitable or educational purposes.

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

Application of law

You are not described in IRC Section 501(c)(3) because you are not operated exclusively for exempt purposes according to Treas. Reg. Section 1.501(c)(3)-1(a)(1). You do not meet the operational test under Section 501(c)(3) because, as stated in Treas. Reg. Section 1.501(c)(3)-1(c)(1), you are not operated for one or more

Section 501(c)(3) purposes. Rather, you are operated for business networking purposes with promote the private interests of your members.

As explained in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii), an organization that operates to benefit private individuals does not qualify for exemption under IRC Section 501(c)(3). Any charitable or educational activities you may conduct are incidental to your overall purpose of promoting your members' businesses. Accordingly, you are precluded exemption under Section 501(c)(3).

You are like the organization described in Rev. Rul. 61-170 because the primary beneficiaries of your activities are your members. Like the organizations described in Rev. Rul. 59-6 and 71-504, your activities are not exclusively educational. Your purpose is member networking and the promotion of the businesses of your members, which does not further an exempt purpose under IRC Section 501(c)(3).

As noted in Better Business Bureau of Washington, D.C., Inc., the presence of a single nonexempt purpose, if substantial, will prevent an organization from being recognized for exemption under IRC Section 501(c)(3). Your business networking activities are substantial in nature. Thus, you are precluded from being recognized as exempt under Section 501(c)(3).

Conclusion

You are not operated exclusively for exempt purposes under IRC Section 501(c)(3) because you operate for the substantial non-exempt purpose of providing business networking opportunities to benefit your members. Thus, 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 Decision 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
P.O. 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