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# qualifying for 501(c)(3) tax exempt status is tricky

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November 5, 2014

The entities in the following IRS Technical Advice Memorandum<sup>1</sup> and Private Letter Rulings failed to qualify for tax exempt status because they were not operated exclusively for exempt purposes. An organization must be organized and operated exclusively for charitable, educational or other specified exempt purposes in order to qualify for tax exemption as a charitable organization under Internal Revenue Code Section 501(c)(3). The organization must serve a public rather than a private interest and engage primarily in activities that accomplish its exempt purposes. No more than an insubstantial part of the organization's activities can be in furtherance of nonexempt purposes.

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## **practice areas**

nonprofit organizations  
tax and trusts & estates  
tax planning

<sup>1</sup>A Technical Advice Memorandum is guidance provided by the Office of Chief Counsel upon the request of an IRS director or an area director in response to technical or procedural questions that develop during a proceeding, including an examination of a taxpayer's return. The advice is issued only on closed transactions and provides the interpretation of proper application of tax laws, tax treaties or other precedents. The advice rendered represents the IRS' final position, but only with respect to the specific issue in the specific case in which the advice is issued.