



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date:
06/17/2024
Employer ID number:

Person to contact:

Release Number: 202437006
Release Date: 9/13/2024
UIL Code: 501.03-05,
501.03-30

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

Date: 04/22/2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date

C = State

D = City

UIL:

501.03-05

501.03-30

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, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*.

You attest that you are formed on B in 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 IRC 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 IRC Section 501(c)(3).

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

Letter 4034 (Rev. 01-2021)

Catalog Number 47628K

- Not further nonexempt 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

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

Your application states your mission is to unite businesses, industries, and civic organizations into a common voice to promote trade in the city of D, and you host multiple events throughout the year to raise money to support D related events. Specifically, you conduct a celebration with food, music, and entertainment, with local fire and law enforcement personnel's participation. You conduct a parade through D for _____, _____, and _____ . You conduct community improvement projects, for example, _____ and _____ at various times of the year.

You conduct the above activities in and surrounding areas of D. Local and non-local community members and businesses participate in these activities. You plan to continue this tradition of conducting your activities with the help of grants and community support. You charge no entry fees, but you allow vendors to sell food and merchandise at these events to help support local and non-local businesses.

You spend time and resources on your activities such as board member meetings, member lunch-in meetings, and specific activities you have previously listed. You state that each board member gives large amounts of time and resources to ensure that all activities are fulfilled for your organization. You state that planning for your activities involves different amounts of time, but you didn't list any amounts of time in your response.

Internet research shows you require membership dues, you promote businesses in D, and surrounding areas, you provide vendor/booth rentals for schools and nonprofits, for-profit businesses, and food and/or vehicle rentals for events that take place in your area. You request sponsorships and donations for various events you conduct in D. You conduct regular membership meetings once a month at the visitor's center. You provide free lunch for members and first-time guests. Your mission is business-minded so you can unite businesses, industries, and civic organizations into a common voice to promote trade in D. You showcase and promote local businesses in D. You host events throughout the year to bring lots of people to D to focus the public's attention on your businesses. You help anyone who is a business owner in D or the surrounding area. You conduct event marketing or sponsorship marketing to make the public aware of your brands.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for religious, charitable, educational, or other 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) states 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)(1)(ii) provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. An organization must demonstrate that its activities serve a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

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.

Revenue Ruling 74-587, 1974-2 C.B. 162, held that an organization that devoted its resources to programs that stimulated economic development in high urban areas inhabited mainly by low-income minority groups or other disadvantaged groups relieved poverty, eliminated prejudice, lessened neighborhood tensions, and combated community deterioration. Thus, the organization operated exclusively for charitable purposes and qualified for exemption under IRC Section 501(c)(3).

Rev. Rul. 77-111, 1977-1 C.B. 144, Situation 1, held that an organization formed to increase business patronage in a deteriorated area mainly inhabited by minority groups was not operated exclusively for charitable purposes. The overall thrust was to promote business and the organization did not qualify for IRC Section 501(c)(3). This organization's activities lacked the qualities of the organization described in Rev. Rul. 74-587.

Rev. Rul. 85-1, 1985-1 C.B. 177, held that an activity is a burden of the government if there is evidence in the file that the government considers the organization's activities its burden. The organization must demonstrate that the government considers this activity its burden.

Rev. Rul. 85-2, 1985-1 C.B. 178, held that for determining whether an organization's activities are lessening the burdens of government, an organization must show that the governmental unit considers the organization's activities to be its burden and that its activities actually lessen the burden of the governmental unit.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court determined the activities of that organization were aimed at promoting the prosperity and standing of the business community and therefore served a substantial private purpose. It concluded that the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption regardless of the number or importance of truly exempt purposes.

In St. Louis Science Fiction Limited v. Commissioner, T.C. Memo. 1985-162 (1985), the Tax Court held that a science fiction society failed to qualify for tax-exempt status under IRC Section 501(c)(3). Although many of the organization's functions at its annual conventions (the organization's principal activity) were educational, its overall agenda was not exclusively educational. A substantial portion of convention affairs were social and recreational in nature.

Application of law

IRC Section 501(c)(3) and Treas. Reg. 1.501(c)(3)-1(a)(1) set forth two main tests for qualification for exempt status. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). You have failed to meet the operational test, as explained below.

You fail to meet the operational test under IRC Section 501(c)(3) because you are not operating exclusively for exempt purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). Your primary activities consist of promoting trade and business in D and providing social and recreational activities, which are substantial nonexempt activities.

You conduct celebrations with food, music, and entertainment such as parades through D for _____, _____, and _____. Like the organization described in St. Louis Science Fiction Limited, which did not qualify for IRC Section 501(c)(3), a substantial portion of your celebrations and parades are social and recreational in nature. Social and recreational activities are not exempt activities under Section 501(c)(3).

An organization promoting trade and business may be tax-exempt under IRC Section 501(c)(3) if its activities exclusively provide relief for the poor and distressed or for the underprivileged, lessen neighborhood tensions, aim to eliminate prejudice and discrimination, and to combat community deterioration. See Treas. Reg. Section 1.501(c)(3)-1(d)(2). Unlike the organization described in Rev. Rul. 74-587, you have not established that your promotion of trade and business in D is considered charitable. Promotion of trade and business that is not furthering charitable purposes does not qualify for Section 501(c)(3). See Rev. Rul. 77-111.

The term charitable also includes lessening the burdens of government per Treas. Reg. Section 1.501(c)(3)-1(d)(2). Also, see Rev. Rul. 85-1 and 85-2. Although the activities in which local fire and law enforcement personnel participate in, and the community improvement projects, may be considered lessening the burdens of government, this is not your exclusive purpose. Promotion of trade and business in D and social and recreational activities are your exclusive purposes. The presence of a single nonexempt purpose, if substantial in nature, will preclude exemption regardless of the number or importance of truly exempt purposes. See Better Business Bureau of Washington, D.C., Inc.

Your activities unite businesses, industries, and other organizations. You provide booth rentals, membership meetings, and invite tourism to focus the public's attention on businesses in your area. The purpose of your social and recreational activities are to promote trade and business in D. You are furthering the interests of individual businesses which serves their private interests instead of public interests. See Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

Conclusion

You have not provided information to show your promotion of trade and business in D is considered charitable. Your activities, such as your parades, further a social and recreational purpose. You have not provided information to show that you are serving public interests instead of the private interests of the businesses in D. Based on the facts and circumstances, you do not qualify for IRC 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 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