



**Department of the Treasury
Internal Revenue Service**

P.O. Box 2508
Cincinnati, OH 45201

Number: **201721022**
Release Date: 5/26/2017

Date: February 28, 2017

Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

UIL: 501.03-05, 501.35-00

Dear _____ :

This letter is our final determination that you don't qualify for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (the Code). 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 Section 501(c)(3) of the Code, donors can't deduct contributions to you under Section 170 of the Code. You must file federal income tax returns for the tax years listed at the top of this letter using the required form (also listed at the top of this letter) within 30 days of this letter unless you request an extension of time to file.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection (as required under Section 6110 of the Code) after deleting certain identifying information. Please 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.

We'll also notify the appropriate state officials of our determination by sending them a copy of this final letter and the proposed determination letter (under Section 6104(c) of the Code). You should contact your state officials if you have questions about how this determination will affect your state responsibilities and requirements.

If you have questions about this letter, you can contact the person listed at the top of this letter. If you have questions about your federal income tax status and responsibilities, call our customer service number at 1-800-829-1040 (TTY 1-800-829-4933 for deaf or hard of hearing) or customer service for businesses at 1-800-829-4933.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4036, *Proposed Adverse Determination Under IRC Section 501(c)(3)*

Redacted Letter 4038, *Final Adverse Determination Under IRC Section 501(c)(3) - No Protest*



**Department of the Treasury
Internal Revenue Service**

P.O. Box 2508
Cincinnati, OH 45201

Date:

January 10, 2017

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

N = State

O = City

P = DBA Name

Y = Date

Z = Date

UIL:

501.03-05

501.35-00

Dear _____ :

We considered your application for recognition of exemption from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). Based on the information provided, we determined that you don't qualify for exemption under Section 501(c)(3) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

Issues

- Do you qualify for exemption under section 501(c)(3) of the Code? 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 Y in the state of N. 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 are organized and operated exclusively to further charitable purposes. 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 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. This information shows you currently are recognized as an organization described in section 501(c)(6) of the Internal Revenue Code.

Your Articles of Agreement stated that you were formed to promote growth and prosperity of O, and the first amendment thereto that you exist “to encourage all legitimate business enterprises [and] to disseminate relative to the advantages of the area as a field for industrial activities...” By the third amendment, filed earlier this year, your corporate purposes were changed to charitable, religious, educational, and scientific purposes, adding that your “desire is to provide...as much assistance, within the above stated purposes, as the individual communities consider necessary in the areas of promotion, recognition and coordination of events for the purpose of advancing the interests of the communities in the region consistent with the Corporation’s stated purposes.”

On Z N approved your application for registration of a trade name. You do business as P.

Your activities include the following:

- Helping to revitalize a local town, by attending meetings, and involvement in various specific groups such as economic development, signage and maintenance
- Organizing students to help with the beautification of the town
- Promoting chamber businesses
- Distributing a weekly newsletter to your members which includes information on local events, information on the success of your local businesses, seminar, webinar and other helpful information to grow one’s business
- Publicizing community fundraisers such as those hosted by local civic clubs
- Donating money towards the purchase of a new motor to be for the area ski tow
- Donating money to a family affected by the death of two family members
- Donating tables to the welcome center for visitors and to be used by local civic clubs
- Promoting tourism in your area
- Helping with formation of an ATV trail system
- Working with other chambers in your area
- Holding annual chamber meetings and dinners
- Holding monthly chamber mixers where the public and your members socialize and network. The mixers offer attendees the opportunity to meet and network with fellow members as well as the opportunity to highlight their products and services
- Providing seminars, webinars, marketing and bookkeeping training free to your members

Information obtained from your website indicates you promote the services and products of businesses located in your regional area. The area served by you consists of ten towns.

Membership in your organization offers various benefits and opportunities. You offer numerous social, educational and professional development events throughout the year. You list the names, addresses, phone numbers and websites of area businesses identifying their activities as shops, accommodations and restaurants. Your membership directory is available at your website. You are described as the premier business advocacy organization in your county. You provide members with marketing opportunities, professional development and networking opportunities and much more. You make referrals by providing potential customers and clients with information about your members' businesses.

Law

Section 501(c)(3) of the Internal Revenue Code (Code) exempts from federal income tax corporations, and any community chest, fund or foundation, organized and operated for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that, for an organization to be exempt under section 501(c)(3) of the Code, it 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 or operational test, it is not exempt.

Section 1.501(c)(3)-1(c)(1) of the regulations 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 such exempt purposes specified in 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.

Revenue Ruling 71-504, 1971-2 C.B. 231 describes a city medical society, which has been recognized as exempt from Federal income tax under section 501(c)(6) of the Code, that asked the Internal Revenue Service whether it may be reclassified as a charitable and educational organization exempt from Federal income tax under section 501(c)(3) of the Code. While some of its activities were charitable, most of its activities were directed primarily at the promotion of businesses and thus furthered the common business purpose of its members. The Revenue Ruling held that the presence of a single non-charitable or non-educational purpose, substantial in nature, precluded exemption under section 501(c)(3) regardless of the number or importance of truly charitable or educational purposes.

Revenue Ruling 80-287, 1980-2 C.B. 185 describes a nonprofit lawyer referral service, which arranged at the request of any member of the public an initial half-hour appointment for a nominal charge with a lawyer whose name was on an approved list maintained by the organization, does not qualify for exemption under section 501(c)(3) of the Code. Although it provided some benefit to the public, a substantial purpose of the organization was promoting the legal profession. Thus, a lawyer referral service may qualify for exemption as an organization described in IRC 501(c)(6) but not in section 501(c)(3).

In Better Business Bureau of Washington v. United States, 326 U.S. 278 (1945), the court held that an organization is not operated exclusively for charitable purposes, and thus will not qualify for exemption under

section 501(c)(3), if it has a single non-charitable purpose that is substantial in nature. This is true regardless of the number or importance of the organization's charitable purposes.

Application of law

You are not operated exclusively for purposes within the meaning of section 501(c)(3) of the Code. You are not described in regulations 1.501(c)(3)-1(c)(1) because you do not engage primarily in activities which accomplish one or more such exempt purposes specified in section 501(c)(3) of the Code.

Your activities include promoting businesses, promoting tourism, holding chamber meetings and chamber mixers for socialization and networking, for the non-exempt purpose of promoting the interests of local business in a manner typical of Chambers of Commerce. Since more than an insubstantial amount of your activities are directed to the promotion of business, you are not operating exclusively for charitable purposes.

You are similar to the organization described in Revenue Ruling 71-504. A substantial portion of your activities are promoting business interests of your members. Additionally, your activities involve social activities.

You are like the organization described in Revenue Ruling 80-287. Though you do engage in some charitable endeavors, a substantial portion of your activities are dedicated to improving businesses in your regional area. Similarly, you do not qualify under 501(c)(3).

You are similar to the organization described in the court case, Better Business Bureau. You have several non-charitable purposes that are substantial. The presence of non-charitable purposes and activities when substantial precludes exemption under section 501(c)(3) of the Code.

Conclusion

More than an insubstantial amount of your activities do not accomplish exempt purposes within the meaning of section 501(c)(3). Therefore, you do not qualify for exemption under section 501(c)(3) of the Code. Your exemption under section 501(c)(6) will remain in effect.

If you don't agree

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

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with
- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative

- One of the following declarations:

For an officer, director, trustee, or other official who is authorized to sign for the organization:

Under penalties of perjury, I declare that I examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

For authorized representatives:

Under penalties of perjury, I declare that I prepared this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts 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 he or she hasn'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 provided a basis for us to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't provided a basis for reconsideration, we'll forward your case to the Office of Appeals and notify you. You can find more information about the role of the Appeals Office 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 at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

Where to send your protest

Please send your protest statement, Form 2848, if needed, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Room 7-008
P.O. Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You can also fax your statement 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 he or she received it.

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.

You can find all forms and publications mentioned in this letter on our website at www.irs.gov/formspubs. If you have questions, you can contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892