



Department of the Treasury

Internal Revenue Service

P.O. Box 2508

Cincinnati, OH 45201

Release Number: **201832018**

Release Date: 8/10/2018

UIL Code: 501.06-00

501.06-01

Date:

May 15, 2018

Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

Dear _____ :

This letter is our final determination that you don't qualify for tax-exempt status under Section 501(c)(6) 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.

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.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4034, *Proposed Adverse Determination under IRC Section 501(a) Other Than 501(c)(3)*

Redacted Letter 4040, *Final Adverse Determination under IRC Section 501(a) Other Than 501(c)(3) - No Protest*



**Department of the Treasury
Internal Revenue Service**

P.O. Box 2508
Cincinnati, OH 45201

Date:
February 28, 2018
Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

g dollars = Weekly fee
h dollars = Monthly fee
j dollars = Season fee
k dollars = Median income of locality
S = Local agency
T = Neighboring town
U = Town name
X = Date of incorporation
Y = State

UIL:
501.06-00
501.06-01

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)(6) 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)(6) of the Code? No, for the reasons stated below.

Facts

You were incorporated in the state of Y on X. You are a farmers' market that serves U, Y, and the surrounding communities. Your objective is to provide the residents of U and the surrounding areas the opportunity to purchase fresh local agricultural products, handmade crafts, and provide local farmers and artisans the opportunity to sell their products.

The types of goods and services sold at the farmers' market are fresh produce grown within the State of Y; freezer meats, which are allowed and governed by Y Department of Agriculture, flowers, locally prepared food products, and vendor handcrafted items. Each vendor will set its own prices; a suggested pricing guide copied from T Farmers Market is provided to the vendors upon request. Participating vendors must agree to comply with the rules and regulations of the market. Vendors pay g dollars per week, h dollars per month, or j dollars for the season. The market is open Thursday morning and afternoon and Saturday morning, from April to October. The fees pay for the following services: Vendors have access to electrical service during setup time, market time, and tear down time. Your Facebook page is updated with photos of each vendor's goods available on the date of the market. The market is advertised in the Y Department of Agriculture's magazine. A banner advertising the market is placed at the U Baseball Field and the U Softball Field. A local radio station provides

free advertising spots for non-profits. of your members have appeared in these spots and highlighted some of the products that will be sold the following day. percent of your time is spent providing booth space for vendors to sell their products.

You maintain a website, where an online market is provided. Each Friday evening, a list of available products is sent to registered customers by e-mail. Customers must place their order for the week no later than Sunday at 8:00 p.m. Ordering through the web site is the preferred method. However, ordering on the online market is currently temporarily disabled. Customers pick up their orders on the following Tuesday. You charge an annual fee of \$ per household for one calendar year.

In addition, on the first Saturday of every month during the market season you provide farm tours and educational opportunities for adults and children. You provide children the opportunity to engage in the local food system through conversations directly with farmers, educational games and demonstrations, and exposure to new fruits and vegetables. Additionally, the children will receive vouchers to spend at the market, allowing them to make their own shopping decisions. You hope to put in gardens at the local public schools this year as well. You operate a series of classes to teach adults how to can and preserve food for their families. These classes will be taught by a chef and will be located at S. You have participated in parades, county fair booth, and the local veteran's museum Halloween festival. Expenses incurred for each of these were donated by members.

Members elect the governing Board. Seasonal vendors are full members and have full voting rights. Occasional vendors are not members. Board members are volunteers and many are vendors. You currently have no employees.

Law

Section 1.501(c)(6)-1 of the Income Tax Regulations states, in part: "A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest.... It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons."

Revenue Ruling 58-224 held that an organization which operated a trade show as its sole activity, primarily for the purpose of rendering particular services to individual persons was not entitled to exemption as a business league under section 501(c)(6) of the Code. The organization's sole activity consisted of staging an annual merchandise show (primarily exhibits by manufacturers), under the sponsorship of the chamber of commerce. The ruling concluded that the activities of the organization substantially served the exhibitors and retailers as a convenience and economy in the conduct of their businesses by providing selling opportunities for the distributors, which was found to be considered rendering particular services for individuals as distinguished from the improvement of business conditions generally.

Rev. Rul. 59-391, 1959-2 C.B. 151, describes an organization of individuals, firms, associations, and corporations, each representing a different trade, business, occupation, or profession. It was created for the purpose of exchanging information on business prospects and has no common business interest other than a desire to increase sales of members. Held, such an organization is not entitled to exemption from federal income tax as a business league under section 501(c)(6) of the Internal Revenue Code of 1954.

The American Automobile Association v. Commissioner of Internal Revenue, 19 T.C. 1146 (1953) held that an organization whose principal activities consist of performing particular services, and securing benefits, for its members, does not qualify for exemption under section 501(c)(6) of the Code.

Application of law

You do not meet the qualifications under Section 1.501(c)(6)-1 of the Regulations as your activities are not aimed at the improvement of business conditions of one or more lines of business but rather you are performing particular services for members. By providing a physical venue and an online market where members may sell their products you are providing a direct service to those members. Also, operating a market for selected vendors does not improve business conditions of any industry or line of business but rather serves only as a convenience to those vendors using that market.

You are like the organization in Rev. Rul. 58-224 in that you serve member vendors as convenience and economy in the conduct of their businesses by providing selling opportunities they otherwise would not have, thereby rendering particular services for individuals as distinguished from the improvement of business conditions in one or more lines of business. Performing services for members constitutes a prohibited activity under 501(c)(6) thereby disqualifying you from exemption under this Code section.

Like the organization described in Rev. Rul. 59-391 your members have no common business interest other than a mutual desire to have a location to increase their individual sales. Your marketplace activities are not directed at the improvement of business conditions of one or more lines of business, but simply providing a convenient place for individuals to market their products for their exclusive benefit.

You are like the organizations in American Automobile Association v. Commissioner of Internal Revenue. By conducting a farmers' market, your primary purpose is the operation of a regular business of a kind ordinarily carried on for profit. You advertise and promote the farmers market as well as provide paid management services for the operation of the market and are therefore rendering particular services for your members/vendors.

Conclusion

Based on the information provided we conclude that you are not operated as a business league described in section 501(c)(6) of the Internal Revenue Code. Your operations provide specific services to members and allow them a convenience and private economic benefit. You do not improve business conditions along one or more lines of business or of a certain area but instead provide services for the convenience of your members. Therefore, you do not qualify for exemption under IRC 501(c)(6).

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892