



Department of the Treasury
Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Number: **202015017**
Release Date: 4/10/2020

Date:
January 16, 2020
Employer ID number:

Contact person/ID number:

Contact telephone number:

UIL Number: 501.03-30, 501.33-00

Dear :

This letter is our final determination that you don't qualify for tax-exempt status under Internal Revenue Code (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 can't deduct contributions to you under IRC Section 170.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection (as required under IRC Section 6110) 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 IRC Section 6104(c)). 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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
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:
November 21, 2019
Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

M = State
B = Date
X = Name
Y = City
Z = Name

UIL:

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 incorporated in the state of M on B. Our records show that you are currently recognized as exempt under IRC Section 501(c)(6).

Your organizing document, Articles of Incorporation, provides that you were formed to encourage patronage of retail businesses along X. Your Articles of Incorporation do not limit your purposes to one or more exempt purposes within the meaning of IRC Section 501(c)(3) or permanently dedicate your assets for Section 501(c)(3) purposes.

Your bylaws state that your primary objective and purpose is to increase business traffic to a specific area of the county that has suffered from the economic downturn and a high crime rate for the last decade. They further note that area small business owners want to improve the public's opinion of the area.

You state that your mission is to support and promote businesses on two roads in Y. You indicated that the two roads suffer from unusually high levels of crime.

You conduct an annual Z festival designed to stop violence and crime in the area. It features music, dancers, singers, vendors, and children's activities. You stated that the festival was created to counteract crime and juvenile delinquency in the area that occurred because of Z. Before the festival started, individuals celebrated Z by firing guns into the air and graffitiing buildings.

You also organize monthly mixers with business owners and their guests in restaurants and business in your area. These events allow business owners to get to know one another and meet other community members. To encourage attendance, door prizes are awarded, and refreshments are served.

In addition, you distribute Christmas gifts to needy children in the area, and you hold bimonthly meetings with local police and business owners to increase awareness of the human trafficking dilemma in your area.

You are supported by donations from area businesses, fees to attend mixers and the dinner associated with the Christmas gift giveaway, and vendor fees.

Law

IRC Section 501(c)(3) exempts from federal income tax organizations organized and operated exclusively for religious, charitable, scientific, 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 that in order to qualify under 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 or operational test, it is not exempt.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) provides that an organization will be regarded as organized exclusively for one or more exempt purposes only if its articles of organization limit the purposes of such organization to one or more exempt purposes and do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(4) provides that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose.

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 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) states that an organization is not organized or operated exclusively for one or more of exempt purposes unless it serves a public rather than a private interest.

Revenue Ruling 65-298, 1965-2 C.B. 163, held that a nonprofit organization, organized and operated on a non-membership basis exclusively for the purpose of carrying on research as to diseases and other disorders of the human body and to develop scientific methods for diagnosis, prevention, and treatment thereof, and then to demonstrate the results of such research to other physicians and the public through means of seminars, qualifies as an organization described in IRC Section 501(c)(3).

Revenue Ruling 68-14, 1968-1 C.B. 243, describes an organization determined to be exempt under IRC Section 501(c)(3) because it was operated for charitable purposes by planting trees in public areas, assisting municipal authorities in keeping the city clean, and informing the public of the advantages of its programs.

Revenue Ruling 69-175, 1969-1 C.B. 149, describes an organization which was formed by parents of pupils attending a private school to provide bus transportation to and from the school for those children whose parents belong to the organization. The organization did not qualify for exemption under IRC Section 501(c)(3) because it served a private rather than public interest.

Revenue Ruling 71-504, 1971-2 C.B. 231, held that a city medical society exempt under IRC Section 501(c)(6), that primarily directs its activities to the promotion of the common business purposes of its members may not be reclassified as an educational or charitable organization under Section 501(c)(3).

Revenue Ruling 71-505, 1971-2 C.B. 232, held that a city bar association exempt under IRC Section 501(c)(6) that primarily direct its activities to the promotion and protection of the practice of law may not be reclassified as an educational or charitable organization under Section 501(c)(3).

Revenue Ruling 73-567, 1973-2 C.B. 178, held that a medical specialty board that devises and administers written examinations to physicians in a particular medical specialty and issues certificates to successful candidates is exempt from tax as a business league under IRC Section 501(c)(6) but is not exempt as an organization described in Section 501(c)(3).

Revenue Ruling 75-286, 1975-2 C.B. 210, held that a nonprofit organization with membership limited to the residents and business operators within a city block and formed to preserve and beautify the public areas in the block, thereby benefiting the community as a whole as well as enhancing the members' property rights, will not qualify for exemption under IRC Section 501(c)(3) because the organization was organized and operated for the benefit of private interests by enhancing the value of members' property.

Revenue Ruling 78-85, 1978-1 C.B. 150, held that an organization with membership open to the general public that was formed by residents of a city to help preserve, beautify, and maintain a public park located in a heavily trafficked, easily accessible section of the city that was commonly used by citizens of the entire city qualified for exemption under IRC Section 501(c)(3).

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 statutorily exempt purposes.

Application of law

You are not described in IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) because you are not exclusively operated for charitable or educational purposes.

Your Articles of Incorporation do not limit your purposes or dedicate your assets to exclusively IRC Section 501(c)(3) purposes. As a result, you do not meet the requirements of Treas. Reg. Sections 1.501(c)(3)-1(b)(1)(i) and 1.501(c)(3)-1(b)(4). Therefore, you have not satisfied the organizational test.

You also fail the operational test as indicated in Treas. Reg. Section 1.501(c)(3)-1(c)(1) and Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) because, like the organizations described in Revenue Rulings 69-175, 71-504, 71-505, 73-567, and 75-286, you are primarily operating for the nonexempt purpose of encouraging patronage of retail businesses on two roads.

You are not like the organization in Revenue Ruling 65-298, because your activities are primarily conducted to increase business traffic for the benefit of private businesses rather than further the public interest.

You are dissimilar to the organizations described in Revenue Rulings 68-14 and 78-85 in the sense that you are not engaged in preserving or maintaining public property. Rather, your activities encourage patronage of retail businesses on two roads.

While you conduct some activities that benefit the public, a more than insubstantial part of your activities is directed primarily at improving business conditions for businesses on two roads. According to the court in Better Business Bureau of Washington, D.C., Inc., such a single non-exempt purpose, if substantial in nature, will preclude exemption regardless of the number or importance of exempt purposes the organization serves.

Conclusion

You do not qualify for tax exemption under IRC Section 501(c)(3) because you are neither organized nor operated exclusively for purposes described in Section 501(c)(3).

You do not meet the organizational test outlined in Treas. Reg. Sections 1.501(c)(3)-1(b)(1)(i) and 1.501(c)(3)-1(b)(4) because your Articles of Incorporation do not limit your purposes to one or more exempt purposes or permanently dedicate your assets for IRC Section 501(c)(3) purposes.

Further, the facts show that you do not meet the operational test outlined in Treas. Reg. Section 1.501(c)(3)-1(c)(1) because your primary purpose is to increase business traffic for the benefit of private businesses.

Accordingly, you do not qualify for exemption as an organization described in Section 501(c)(3).

Your exemption under IRC Section 501(c)(6) remains in effect.

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