



Department of the Treasury  
Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

Number: **202015019**  
Release Date: 4/10/2020

Date:  
January 15, 2020  
Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

**UIL Number: 501.00-00, 501.03-04, 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,

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 18, 2019  
**Employer ID number:**

**Contact person/ID number:**

**Contact telephone number:**

**Contact fax number:**

**Legend:**  
 B = Date  
 C = Breed

**UIL:**  
 501.00-00  
 501.03-04  
 501.35-00

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 submitted Form 1023-EZ, which indicates you were formed as an unincorporated association on B. You attested that your organizing document limits your purposes to one or more exempt purposes within the meaning of IRC Section 501(c)(3). You also attested that your organizing document does not empower you to engage, other than insubstantially, in activities that are not in furtherance of one or more exempt purposes. You attest your organizing document contains the dissolution provision required under Section 501(c)(3). You attest to be organized and operated exclusively to further charitable purposes and you have not and will not conduct prohibited activities under Section 501(c)(3).

Your application states that your mission or most significant activities are "support of all activities of C and their owners."

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

You provided a copy of your Bylaws as your organizing document, but this document was neither signed nor dated. Your vision, per your Bylaws, is to offer a rich and rewarding experience to people through involvement with several different types of C . Your mission statement is to promote, stimulate, and encourage people to enjoy the experience of types of C for the purpose of sport, companionship, and recreation; to

foster and encourage good relationships between all fellow member associations; to promote educational programs (internal & external) on the outstanding qualities of types of C ; and to encourage the breeding, exhibiting, and ownership of the types of C . Your Bylaws indicate that you have levels of membership, all of which require dues to be paid.

You describe your activities as an annual show, a , and a festival. The show showcases the C to other owners and the public. You do not charge an admission fee to watch the show and it is open to the general public. The show is at a local fairground. Fees are charged to the owners to show their and are comparable to show fees for the level of each show in general. Your fees are lower than other shows for the purpose of enticing more participants.

You have that are open to the general public. The activity starts with the followed by a chili dinner and a short meeting. Most of your members who are participate and all members come to the dinner after. No fees are charged to participate. Participants receive a free t-shirt with advertising on it which partially funds the .

You participate in a festival held by another organization where your members take their and do a presentation each day showing all the different ways C are and enjoyed. You pay for a booth at this festival in which you give out promotional material and pictures. You allow people to meet and greet some of the .

You have meetings for the general membership including the annual meeting for elections and awards. You hold board meetings separately and may have committee meetings, as needed, for events. You also informally get together for social activities.

### **Law**

IRC Section 501(c)(3) provides for the exemption from federal income tax of corporations organized and operated exclusively for charitable or educational purposes, provided no part of the net earnings inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that in order 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 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(b)(1)(i) provides that in order to meet the organizational test an organization must be organized exclusively for one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) provides that an organization operates exclusively for exempt purposes if it engages primarily in activities that accomplish exempt purposes specified in IRC Section 501(c)(3). An organization must not engage in substantial activities that fail to further an exempt purpose.

Revenue Ruling 59-310, 1959-2 C.B. 146, granted exemption under IRC Section 501(c)(3) to an organization that was formed to establish, maintain and operate a public swimming pool, playground and other recreation facilities for the children and other residents of the community. The income derived from charges for admission to the swimming pool was nominal and such charges were purely incidental to the orderly operation of the pool. Since the

property and its uses are dedicated to members of the general public of the community and are charitable in that they serve a generally recognized public purpose which tends to lessen the burdens of government, it is concluded that the instant organization is exclusively charitable within the meaning of Section 501(c)(3).

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption regardless of the number or importance of truly exempt purposes.

### **Application of law**

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests to qualify 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 both requirements, as explained below.

Your formation document, your Bylaws, does not limit your purposes to exclusively IRC Section 501(c)(3) purposes. As a result, you have not satisfied the organizational test required by Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i).

You also do not meet the operational test. A substantial amount of your time is for social and recreational events. Social and recreational activities do not further IRC Section 501(c)(3) purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1).

Your activities are not like that described in Rev. Rul. 59-310 where a public pool and other recreational facilities were operated by an exempt organization. You are distinguished from this ruling because you are not maintaining a recreational facility for the general public in a manner that lessens the burdens of the government. Unlike the organization described in the ruling, you are actively involved in the conduct of social and recreational activities such as horse shows and trail rides encouraging social interaction between members. Social events are not considered charitable or educational purposes under IRC Section 501(c)(3).

As with the case of Better Business Bureau of Washington D.C., Inc., the furtherance of substantial non-exempt purposes precludes exemption under IRC Section 501(c)(3). Any educational activities you may conduct are incidental to your recreational and social activities. Because of these substantial non-exempt activities, you are precluded from exemption under Section 501(c)(3).

### **Conclusion**

Based on the information provided, you do not qualify for exemption because you are neither organized nor operated exclusively for exempt purposes as described in IRC Section 501(c)(3). Your organizing document does not satisfy the organizational test. While you may conduct some educational activities, your social events represent substantial, non-exempt activities. Therefore, you do not qualify for exemption under 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 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](http://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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements