



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

Number: **202015027**
Release Date: 4/10/2020

Date:
January 14, 2020
Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

UIL Number: 501.00-00, 501.03-30

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.

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:

C = Date
D = State
E = Fairground location

UIL:

501.00-00
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 are currently exempt under IRC Section 501(c)(5). You have submitted Form 1023 and are now seeking a change in subsection under Section 501(c)(3).

You were incorporated in the state of D on C. The Third Article of your Articles of Incorporation indicates that your purposes are to promote, encourage, stimulate, educate, and engage in the activities to further understand the breeding, showing, and marketing of domestic _____ and _____ to the general population. Also, you will hold and sponsor national and state conventions in conjunction with the national organization. Further, you shall be empowered to conduct any business necessary, within the laws of D, in order to further these goals. Your Articles are silent regarding the disposition of your assets upon your dissolution.

You provided a filed amendment to your Articles of Incorporation, but the Amendment states that you have amended Articles V and VI of your **Bylaws** [emphasis added] to include the proper purpose and dissolution clauses which meet the requirements under IRC Section 501(c)(3). No apparent changes were made to the language of the Third Article of your Articles of Incorporation.

The attachment to your Form 1023 indicates that your activities are to educate the public and those interested about different breeds of _____, breeding practices, and how to raise _____ and _____. You will also promote positive standards of _____ and _____ breeding, raising, and showing.

You conduct an annual convention at the E Fairground in which adults and children of all ages participate. You have several committees that work year-round to plan the activity. The committees include: show office manager, judges' selection, show catalog, show catalog advertisements, advertising, hotel chairperson, booth chairperson, hall of fame & distinguished service award, awards, judges conference, hospitality, raffle chairperson, promotional sales, 50/50 raffle, scholarship fund raffle, youth scholarship, youth activities, and announcer.

The convention consists of national and specialty shows, single all-breed shows, triple _____ show, _____ show, and youth competitions. Individuals may participate in the shows in order to test their _____ knowledge and skills. The activity is funded by member dues and donations. At the convention, money is raised for scholarships to be awarded to youth and adults for the purpose of furthering their education in _____ and breeding.

A show catalog is also produced for the convention and advertisements are accepted for the show catalog to offset the cost of the printing. You also sponsor many judges' exams and conferences throughout D. These allow members to become certified judges in order to judge _____ shows and to maintain current on certification.

You work closely with the national organization to stay current on standards and to aid them in promoting education and _____ and _____ standards across D. You are comprised of member clubs, each of which conduct meetings across D.

Volunteers conduct a 50/50 raffle and an animal raffle. The proceeds go towards scholarships for youth graduating from high school or in their first year of college. The scholarships are for educational purposes for college or trade school, to help with books or tuition.

You submitted a sample of one of your publications. This publication's focus was the state mini convention. This catalog is mailed to all members and non-members who have shown _____ at past conventions.

Your present and future sources of financial support are from entry fees, club fees, catalog ads, and booth fees. Your principal identifiable expenditures are for showroom, travel, and judges.

Law

IRC Section 501(c)(3) describes organizations organized and operated exclusively for charitable purposes no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that, for an organization to be exempt under IRC Section 501(c)(3), 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 test or the operational test, it is not exempt.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its organizing document limits the purposes of such organization to one or more exempt purposes and does 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)(1)(iv) provides that in no case shall an organization be considered to be organized exclusively for one or more exempt purposes, if, by the terms of its articles, the purposes for which such organization is created are broader than the purposes specified in IRC Section 501(c)(3). The fact that the actual operations of such an organization have been exclusively in furtherance of one or more exempt purposes shall not be sufficient to permit the organization to meet the organizational test. Similarly, such an organization will not meet the organizational test as a result of statements or other evidence that the members thereof intend to operate only in furtherance of one or more exempt purposes.

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.

Revenue Ruling 59-6, 1959-1 C.B. 121, describes a professional association that was not entitled to exemption under IRC Section 501(c)(3) because its educational program was only an incidental part of its total activities. It had as its principal purpose the professional advancement of its membership. It was found that they were qualified under Section 501(c)(5)

Rev. Rul. 77-366, 1977-2 C.B. 192, describes a nonprofit organization that arranges and conducts winter cruises during which activities to further religious and educational purposes are provided in addition to extensive social and recreational activities. It did not operate exclusively for exempt purposes and therefore did not qualify for exemption.

In Better Business Bureau v. United States, 326 U.S. 279 (1945), the court held that an organization is not operated exclusively for charitable purposes, and thus will not qualify for exemption under IRC 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

In order to qualify for exemption as described in IRC Section 501(c)(3), you must be both organized and operated exclusively for one or more of the purposes specified in such Section, as explained in Treas. Reg. Section 1.501(c)(3)-1(a)(1). You fail both the organizational and operational tests under Section 501(c)(3).

Although you filed a document with the state of D which included proper IRC Section 501(c)(3) language, that document only amended your Bylaws, which is not your organizing document. Also, since the purpose clause of your original Articles of Incorporation was under Article Third, when you modified Articles V and VI of your Bylaws, it did not modify your Articles of Incorporation. Accordingly, you do not meet the provisions of Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) because your Articles lack a purpose clause limiting your activities to those described in Section 501(c)(3). Your stated purpose, to engage in activities which promote the breeding of _____ and _____ are broader than the purposes specified in Section 501(c)(3) and Treas. Reg. Section 501(c)(3)-1(b)(1)(iv).

You are not operated exclusively for an exempt purpose as described in Treas. Reg. Section 1.501(c)(3)-1(c)(1) because you are engaged in substantial non-exempt activities. Specifically, you promote the breeding of through your activities, which are primarily done through your annual convention.

Similar to the organization described in Rev. Rul. 59-6, your activities are not limited to those which are educational. Most of your time and efforts are spent on your annual convention, whereby individuals compete for prizes regarding breeding. Your scholarship activities are incidental to your other activities.

You are like the organization in Rev. Rul. 77-366, which carried on religious and charitable activities, but did not qualify for exemption under IRC Section 501(c)(3) because a substantial amount of their time was devoted to social activities. You provide a scholarship program that is charitable and educational, but a substantial amount of your time is devoted to agricultural activities.

You are similar to the organization in Better Business Bureau because you are not operated exclusively for charitable or educational purposes. Accordingly, you do not qualify for exemption under IRC Section 501(c)(3).

Conclusion

Based on the information submitted you are neither organized nor operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3). You fail the organizational test because your purposes are broader than permissible under Section 501(c)(3). You do not meet the operational test because a substantial amount of your activities are agricultural in nature. Accordingly, you do not qualify for exemption under Section 501(c)(3).

Your exemption under IRC Section 501(c)(5) 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.

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