



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 45201

Number: **202124009**
Release Date: 6/18/2021

UIL Number: 501.00-00, 501.03-00, 501.30-30

Date:
03/25/2021
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Dear

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in 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 generally can't deduct contributions to you under IRC Section 170.

We may notify the appropriate state officials of our determination, as required by IRC Section 6104(c), by sending them a copy of this final letter along with the proposed determination letter.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit www.irs.gov.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. 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 call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Notice 437
Redacted Letter 4034
Redacted Letter 4038



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

Date:
02/02/2021
Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

X = State
Y = Date
Z = Organization

UIL:

501.00-00
501.03-00
501.30-30

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 were incorporated in the state of X on Y. Your Articles of Incorporation describe your purposes as follows:

- a. To further the advancement of all breeds of purebred dogs;
- b. To encourage the training of dogs; and
- c. To conduct obedience trials and sanctioned matches under the rules of the Z.

You are comprised of a group of individuals dedicated to educating dog owners regarding dog ownership. You teach the rewards of positive reinforcement with dog training. You offer _____ canine training sessions during the calendar year, which each last _____ weeks. Your classes range from puppy classes to competitive obedience dog classes. The classes are offered to club members and the general public and are taught by fellow club members who are devoted to training and competing with their dogs.

Your main objective is to teach individual dog owners the importance of dog training, so the owners won't have to return their canines to the shelter to look for another home. You are affiliated with the Z and host an annual obedience/rally canine trial. You also host various educational programs led by outsiders to educate canine owners of various activities that can be performed with their canine partners.

You have been filing Form 1120 since your inception. Your primary source of revenue is fees received from classes, followed by trial entry fees, and then club dues. Nearly half of your expenses cover trial supplies, followed by “club member relations,” with a smaller amount for class supplies, with the remainder of expenses representing administrative items, such as dues and insurance.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for religious, charitable or other purposes as specified in the statute.

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 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(c)(1) provides that an organization is operated exclusively for charitable purposes only if it engages primarily in activities that accomplish those purposes. It is not operated for charitable purposes if more than an insubstantial part of its activities does not further an exempt purpose.

Revenue Ruling 71-421, 1971-2 CB. 229, held that a dog club, exempt under IRC Section 501(c)(7) and formed to promote the ownership and training of purebred dogs which conducted obedience training classes, could not be reclassified as an educational organization exempt 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 held that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes.

In American Kennel Club, Inc. v. Hoey, 148 F.2d 920 (1945), the court held that the taxpayer was not exempt from federal taxation under the predecessor to IRC Section 501(c)(3) because regulating the sport of dog shows and field trials does not further charitable, educational, or scientific purposes.

In Ann Arbor Dog Training Club, Inc. v. Commissioner, 74 T.C. 207 (1980) the court held that the training of animals does not come within the meaning of “educational” as set forth in IRC Section 501(c)(3). The organization held dog obedience training classes, awarded the dogs a degree after completion of the course and also awarded them prizes at show events. While the owners of the dogs received some instruction as to the training of dogs, it was the dog that was the primary object of the training and evaluation.

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 Articles of Incorporation do not limit your purposes 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). Therefore, you have not satisfied the organizational test.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) provides that an organization will not be regarded as exempt under IRC Section 501(c)(3) or operated exclusively for one or more exempt purposes if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. Like the organization described in Revenue Ruling 71-421, substantially all the activities you conduct involve promoting the training and exhibition of purebred dogs. Therefore, you have not satisfied the operational test.

While some of your activities are educational, more than an insubstantial part of your activities is directed primarily at promoting the exhibition and training of dogs. 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.

Like the organizations described in American Kennel Club, Inc. and Ann Arbor Dog Training Club, Inc., you primarily promote the exhibition and training of dogs. As a result, tax exemption under IRC Section 501(c)(3) is precluded.

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). Your Articles of Incorporation do not limit your purposes to those described in Section 501(c)(3). You fail the operational test because you operate for the substantial non-exempt purpose of training and exhibiting dogs. Therefore, you are precluded from 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 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