



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

Date:
04/04/2022
Employer ID number:

Person to contact:

Number: **202226018**
Release Date: 7/1/2022

UIL: 501.03-30, 501.35-00

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 Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 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:

Letter 437

Redacted Letter 4034

Redacted Letter 4038



Department of the Treasury
Internal Revenue Service
 PO Box 2508
 Cincinnati, OH 45201

Date: 01/18/2022

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

X = Date

Y = State

UIL:

501.03-30

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 *Streamline Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*.

You attested on Form 1023-EZ that you are organized and operated exclusively to further charitable and educational purposes. You also attested that you have not conducted and will not conduct prohibited activities under IRC Section 501 (c)(3).

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

You were formed as a corporation on X in the State of Y. You conduct equine activities which include, but are not limited to, equine speed events and horsemanship events. In the future you hope to expand your events to include sanctioned barrel races as well. Individuals from age _____ and up, both male and female, and from areas throughout Y, participate in your events. Events are usually held in the evening, but generally take place on a weekend (2-day event). Events are offered from _____ through _____ in _____. During this time, approximately _____ events are offered based on weather conditions and other conflicting scheduled horse shows.

To promote your events, you provide equine activities and opportunities like trail rides, learning about horse sportsmanship, and promotion of equine activities in general that are open to the general public. You also promote your club through community events like parades and individual community involvement.

Your revenue comes from membership fees, registration (for events) fees and sales of promotional items. Expenses are related to operating the events.

Law

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

Income Tax Regulations ("Regulations") Section 1.501(c)(3)-1(a)(1) of the states that in order to qualify under Section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either the organizational or operational test, it is not exempt.

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) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Rev. Rul. 67-216, 1967-2 C.B. 180 - A nonprofit organization formed and operated exclusively to instruct the public on agricultural matters by conducting annual public fairs and exhibitions of livestock, poultry, and farm products qualified for exemption from Federal income tax under Section 501(c)(3) of the Code. The organization's activities and exhibits are planned and managed by or in collaboration with person whose business it is to inform and instruct farmers and the general public on agricultural matters (i.e., home demonstration agents, county agricultural agents), and the resulting displays are designed to be instructive. The presence at the fair of recreational features such as midway shows, refreshment stands, and a rodeo are incidental to the fair's overall educational purpose.

Rev. Rul. 68-224, 1968-1 C.B. 262 - An organization that conducts an annual festival centered around regional customs and traditions is determined to qualify for exemption under Section 501(c)(4) of the Code. The festival takes place in an agricultural region where interest in horses and Western traditions runs high and enjoys the broad involvement of local citizens. It typically features a banquet or barbecue, a parade made up of local organizations and floats depicting community history, various contests relating to dress and costumes traditional of the area, and a rodeo. The revenue ruling holds that, in carrying on these activities, the organization provides recreation for the community and generally promoted civic betterments and social improvements.

In *Better Business Bureau of Washington, D.C., Inc v. United States*, 326 U. S. 279 (1945), the Supreme Court of the United States interpreted the requirement in section 501(c)(3) that an organization be "operated exclusively" by indicating that an organization must be devoted to exempt purposes exclusively. This plainly means that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number and importance of truly exempt purposes.

In *Minnesota Kingsmen Chess Association v. Commissioner*, T.C. Memo. 1983-495, the organization sponsored chess tournaments, provided chess magazines and books to libraries, offered free chess lessons, and published a newsletter that primarily contained reports of past tournaments and announcements of future ones. The petitioner sought exemption under Section 501(c)(3) of the Code because its purposes and activities were described as educational. The court found that the promotion of chess tournaments furthered a substantial recreational purpose, even though individual participants may have received some educational benefits.

In *St. Louis Science Fiction Limited v. Commissioner*, T.C. Memo. 1985-162, the Tax Court held that a science fiction society failed to qualify for tax-exempt status under Section 501(c)(3) of the Code. Although many of the organization's functions at its annual conventions (the organization's principal activity) were educational, its

overall agenda was not exclusively educational. A substantial portion of convention affairs were social and recreational in nature.

Application of law

Your equine and horsemanship events may have some educational value, but they further a recreational purpose which is not insubstantial. Thus, your activities further a nonexempt purpose. Therefore, you do not meet the operational test under IRC Section 501(c)(3) and cannot be recognized for exemption. (See Treas. Reg. Secs. 1.501(c)(3)-1(a)(1) and 1.501(c)(3)-1(c)(1)).

Unlike the organization granted exemption in Rev. Rul. 67-216, your recreational purpose of offering horsemanship competitions and shows outweigh any exempt purpose that you may offer. There is no evidence that you have any educational or other exempt element to your operations. You are organized and operated to provide recreation for the community, which is similar to the organization in Rev. Rul. 68-224. However, that organization was not granted exemption under Section 501(c)(3) of the Code.

As noted in *Better Business Bureau of Washington D.C.*, exemption under Section 501(c)(3) of the Code cannot be granted when an organization has any non-exempt purpose which is more than insubstantial in nature. This is further clarified in both *Minnesota Kingsmen Chess Association* and *St. Louis Science Fiction*, where the substantial recreational purposes prohibited exemption under Section 501(c)(3) of the Code.

Conclusion

A significant portion of your activities are operated for social and recreational purposes. You have not shown how you further any exempt purpose. Therefore, you are not organized and operated exclusively for an exempt purpose and do not meet the standards of exemption under Section 501(c)(3) of the Code. Donations to you are not deductible to donors.

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 Determination 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
PO 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