



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date: 7/25/2022

Employer ID number:

Form you must file:

Tax years:

Person to contact:

Name:

ID number:

Telephone:

Number: **202242010**

Release Date: 10/21/2022

UIL: 501.35-00, 501.36-00

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:
April 18, 2022
Employer ID number:

Person to contact:
Name:
ID number:
Telephone:
Fax:

Legend:

B = state
C = date
D = organization
E = production method
F = product

UIL:
501.35-00
501.36-00

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 were incorporated in B on C. Your Articles of Incorporation state that you are organized and shall be operated for scientific and educational purposes, including providing research and development, scientific experiments, validation of new varieties or products, and other related or similar supports, capacities, and services to promote or enhance agricultural production in B and other parts of the world.

Your activities are to develop a business plan, operations and physical location for a sustainable organization, research on quality of new innovative technologies which help bring value to agriculture producers in the immediate area, region and country. You will serve as a place start-up companies can bring their emerging technologies to prove their concepts or test them at a commercially viable size. You will provide quality testing and nutritional analysis for products created out of the research and will provide this same service to the entire industry. You will operate a mechanical E process to get raw research materials ready for research phase.

On your website you state you will host a specialty E facility, allowing universities, commodity groups and private seed developers access to affordable processing that aims to lower costs while promoting growth of

value added products. Once established, you will be home to private industries to create products from the co-products of the facilities, benefitting all parties from farm gate to consumers.

You will primarily focus on research of F crops as you will have only a handful of small processing capabilities in the country. There will be anything from compositional and quality testing of whole grains to processing and using the materials to test in feeding trials for animals or used as raw materials for other currently smaller than commercially viable processes. Both for-profit and non-profit organizations will be able to use the facility. When asked if any fees would be involved to use this facility you stated each fee will be based on the organization's ability to pay and may be forgiven or waived based on your ability to fundraise to cover the cost of each partner's resource needs. If it is a private company testing intellectual property research, the research may be confidential. If research is funded by you or a public entity, the results will be made to the public. One of your partners will bring foreign trade teams to the facility on a regular basis to explain F processing to your international customers which help build confidence in those buyers to continue their supplies from the United States growers. You listed partners; related to the state of B and crop and related associations.

The facility will be open to educational opportunities for international and domestic individuals. Your founding members will coordinate opportunities for international guests and your campus will give tours to interested individuals. There will also be a free online training course, "Introduction to the US Food System", benefiting American agriculture and will take the highlights of your education aspects and bundle them into a promotional series targeted at the vast customer base that lies beyond your current market. You will serve as the institution that provides specialized research test results, verification of grain composition, and processing standards to the public. You stated that a portion of products sold will enter standard commercial markets but is essential to building acceptance of the new products. You stated that you do not have any formal ties to a specific governmental unit and governmental units do not have any control over you. You do partner with local governmental units for economic development, market creation, and creation purposes.

You stated your primary economic development activity is to provide job training and education for crush facility operators. You will provide opportunities for private and public training of processing technologies. You will also "grant small, disadvantaged businesses to help them prove their ideas are commercially viable". Another main economic development activity is tied to growing markets of value-added grains. The grains provide more diversity for a wider range of new and existing farmers to grow. You will directly market your programs through your industry at tradeshow events, conferences, through publications, white papers, digital advertising, media pitching and working with partners.

Law

Section 501(c)(3) of the Internal Revenue Code 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.

Treasury Regulation 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 Internal Revenue 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.

Treas. Reg. Section 1.501(c)(3)-1(d)(5)(i) states an organization may meet the requirements of section 501(c)(3) only if it serves a public rather than a private interest; a scientific organization must be organized and operated in the public interest. Therefore, the term scientific, as used in section 501(c)(3), includes the carrying on of scientific research in the public interest.

Treas. Reg. Section 1.501(c)(3)-1(d)(5)(iii) provides that scientific research will be regarded as carried on in the public interest if (a) the results of such research (including any patents, copyrights, processes, or formulae resulting therefrom) are made available to the public on a nondiscriminatory basis; (b) such research is performed for the United States, or any of its agencies or instrumentalities, or for a State or political subdivision thereof; or (c) such research is directed toward benefiting the public.

Revenue Ruling 65-60, 1965-1 CB 231 states an organization carrying on research and disseminating knowledge in the field of the social sciences was held to be educational and scientific. It performed a substantial part of its research under contract from government agencies and devoted the proceeds to additional research. It performs no contract research for the private benefit of any person or organization as distinguished from performing scientific research in the public interest.

In Revenue Ruling 69-632, 1969-2 CB 120, a nonprofit organization composed of members of a particular industry to develop and improve use for existing products of the industry is not exempt under Section 501(c)(3). The association's research projects may result in new products and processes that benefit the public, but such benefit is secondary to that derived by the association's members. The association's members select research projects in order to increase their sales by creating new uses and markets for their product. Therefore, it is held that the primary purpose of the association's research is to serve the private interests of its creators, rather than the public interest. Accordingly, the association does not qualify for exemption from Federal income tax under section 501(c)(3) of the Code.

In Better Business Bureau v. United States, 326 U.S. 279 (1945), the Supreme Court stated that the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption under Section 501(c)(3) of the Internal Revenue Code regardless of the number or importance of statutorily exempt purposes.

Application of Law

Treas. Reg. Section 1.501(c)(3)-1(c)(1) states that an organization will not be regarded as 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. Further, organizations that primarily pursue business purposes or that serve substantial private interests are not entitled to exemption under IRC 501(c)(3). You are operating, in part, for the benefit of for-profit organizations. you are operating to provide services to promote and improve the agricultural production by providing the facilities for profit and not for profit organizations to conduct their research. You do not meet Treas. Reg. Section 1.501(c)(3)-1(c)(1).

While you are conducting some research that benefits the public, not all of your results are released. A private company testing intellectual property research may hold those results to be confidential. Additionally, research is only one portion of your overall activities, which includes the creation and operation of the E facility. Compare Revenue Ruling 65-60, in which an organization carried on scientific research was found to be exempt. While it conducted research under contract for government agencies, it performed no contract research for private interests. Public and private entities will use your facilities and a portion of these products could enter the commercial market indicating conditions are directed more towards promoting the development, sale,

and use of a product in an industry versus scientific research in the industry. The character of research is dependent on the purpose it serves, and it must be carried on in the public interest. Treas. Reg. Section 1.501(c)(3)-1(d)(5)(iii) provides that scientific research will be regarded as carried on in the public interest (in part) if the results of such research are made available to the public on a nondiscriminatory basis or such research is directed toward benefiting the public. Your research is carried on in part for private, commercial interests and therefore you do not meet the qualifications for a scientific entity under Treas. Reg. Section 1.501(c)(3)-1(d)(5)(i), specifically, Treas. Reg. Section 1.501(c)(3)-1(d)(5)(i)(a). Further, while some of your research will benefit the general public not all research is directed towards this purpose as indicated in Treas. Reg. Section 1.501(c)(3)-1(d)(5)(i)(c).

You are similar to the organization described in Revenue Ruling 69-632. Like that organization your members or partners select projects to create new uses and markets for their product. The E facility will allow for affordable processing to private developers and groups; lowering costs and promoting growth of biproducts. It will also provide these entities with a method for preparing raw materials for research. You intend on hosting start-ups to test concepts to commercial viability, and market the value of your programs in how they can benefit a business. While your projects may result in new products and processes that benefit the public, this is secondary to the substantial benefits derived by your members for their private operations. Accordingly, you do not qualify for exemption under IRC Section 501(c)(3).

As noted in Better Business Bureau, the presence of a single nonexempt purpose, if substantial, will prevent an organization from being recognized for exemption under IRC Section 501(c)(3). While portions of your activities serve some educational and public purposes, you are also providing a facility for organizations, for-profit and not for-profit, to research and create products from farm gate to consumers. These activities are substantial in nature. Thus, you are precluded from being recognized under Section 501(c)(3).

Conclusion

You are not operated exclusively for charitable or educational purposes as described in IRC Section 501(c)(3). Any charitable purposes are incidental to your overall purpose of improving and enhancing the agricultural industry and providing a facility for organizations to conduct research. Consequently, you do not meet the operational test under Section 501(c)(3) and do not qualify for exemption.

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