



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

Date:
07/03/2023
Employer ID number:

Form you must file:
1120

Tax years:
All

Person to contact:

Release Number: 202339038
Release Date: 9/29/2023
UIL Code: 501.05-01

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)(5). 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.

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

Letter 4038 (Rev. 11-2021)
Catalog Number 47632S



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

Date: 05/08/2023

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date

C = State

D = Place

e dollars = \$

F = Number

UIL:

501.00-00

501.05-01

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)(5). 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)(5)? No, for the reasons stated below.

Facts

You were incorporated on B in the state of C. Your primary activity is to manage the grazing lease for D subdivision. You lease the subdivision to a rancher who grazes cattle across the entire subdivision. Your officers and directors conduct this activity which also include the maintenance of fencing and cattle guards throughout the subdivision. This activity is funded by payment of the grazing lease from the rancher which is a total of e dollars per year. All revenue taken in from the grazing lease with the rancher are spent on maintaining the subdivision fences, cattle guard, etc. for safe and successful grazing of cattle.

There are F lots within the D and each property owner is allowed to join the organization to allow cattle to graze on their property, nobody is required to join the organization. From the property owners who join the organization, volunteers are named as directors or officers as needed and are updated yearly.

Law

IRC Section 501(c)(5) exempts from federal income tax labor, agricultural, or horticultural organizations.

Treasury Regulation Section 1.501(c)(5)-1(a) provides that the organizations contemplated by IRC Section 501(c)(5) are those which (1) have no net earnings inuring to the benefit of any member, and (2) have as their

objects the betterment of the conditions of persons engaged in the pursuits of labor, agriculture, or horticulture, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

Revenue Ruling 74-195, 1974-1 C.B. 135, held that a nonprofit organization formed to manage, graze and sell its members' cattle did not of itself better the conditions of those engaged in agricultural pursuits, improve the grade of their products, or develop a higher degree of efficiency in their operations within the meaning of Section 501(c)(5) of the Code. The principal purpose of the organization was to provide a direct business service for its members' economic benefit. The organization was denied exemption under Section 501(c)(5).

Rev. Rul. 77-153, 1977-1 C.B. 147, held that a nonprofit organization that owns and operates a livestock facility and leases it to local members of a nonexempt national association of farmers for use in implementing the association's collective bargaining program with processors does not qualify for exemption as an agricultural organization. The operation and leasing of a facility for collecting, weighing, sorting, grading, and shipping of livestock, the organization's principal activity, is the providing of a business service to those members who make use of the national association's collective bargaining program. This service merely relieves the members of the organization of work they would either have to perform themselves or have performed for them. Such activity does not serve an exempt purpose of an agricultural organization under Treas. Reg. Section 1.501(c)(5)-1. Accordingly, the organization does not qualify for exemption from federal income tax under Section 501(c)(5) of the Code as an agricultural organization.

Application of law

You do not meet the requirements to be exempt under Section 501(c)(5) of the Code as described in Treas. Reg. Section 1.501(c)(5)-1(a) because your activities are aimed at managing and maintaining grazing leases rather than any aspects of the farming process itself.

You are like the organization described in Rev. Rul. 74-195, you are managing and maintaining a grazing lease, not bettering the conditions of those engaged in agricultural pursuits, improving the grade of their products or developing a higher degree of efficiency in their operations. Your primary activity provides a direct benefit to the owners of the lots within D which precludes exemption under section 501(c)(5) of the Code.

You are also similar to the organization in Rev. Rul. 77-153. By managing and maintaining grazing leases for ranchers, you are relieving them of work they would either have to perform themselves or have performed for them, which precludes exemption under Section 501(c)(5) of the Code.

Conclusion

Based on the facts above, we conclude that you are not operated as an organization described in Section 501 (c)(5) of the Code. You were not formed to better the conditions of farmers as a whole, to improve the grade of their products, or to develop a higher degree of efficiency in their respective occupations. Rather, you manage and maintain the grazing leases for D. Accordingly, you do not qualify for exemption under Section 501(c)(5) of the Code.

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