



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

Date:
07/10/2023
Employer ID number:

Tax years:
All
Person to contact:

Release Number: 202340020
Release Date: 10/6/2023
UIL Code: 501.01-00,
501.03-00, 501.33-00

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: May 8, 2023

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = date

C = state

D = number

E = event 1

F = organization 1

G = event 2

H = organization 2

UIL:

501.01-00

501.03-00

501.33-00

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

You were incorporated on B, in C. You attest that you have the necessary organizing document, that your organizing document limits your purposes to one or more exempt purposes within the meaning of IRC Section 501(c)(3), that your organizing document does not expressly empower you to engage in activities, other than an insubstantial part, that are not in furtherance of one or more exempt purposes, and that your organizing document contains the dissolution provision required under IRC Section 501(c)(3).

You attest that you are organized and operated exclusively to further charitable purposes. You attest that you have not conducted and will not conduct prohibited activities under IRC Section 501(c)(3). Specifically, you attest you will:

- Refrain from supporting or opposing candidates in political campaigns in any way
- Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals
- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially
- Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s)
- Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a Section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in Section 501(h)
- Not provide commercial-type insurance as a substantial part of your activities

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

You stated your mission is to promote the breeding, development and training of the US purpose bred event horses through a financial reward based on competition results. You will develop a market for purpose bred/produced event horses through media exposure and publicity, to develop and promote a pool of professionals who are willing and able to develop the young event horse to the top level of the sport, to develop and align a network of breeders, trainers, and riders to the pool of young horse talent in the US, to engage the general public into the world of young horses and young event horse training, to develop a fan base for young horses and young horse trainers.

Your Articles of Incorporation state you are formed to (1) promote event bred sport horses through equestrian sports competition on the local, state, and national levels (2) conduct and hold agricultural expositions or exhibitions including horse, pony, breeding shows, races and performance competitions (3) conduct and hold forums, seminars and educational clinics and conferences on matters related to horse and pony productions, training, exhibitions, marketing, performance and health (4) provide a means of promoting and fund other 501(c)(3) organizations, including but not limited to: entities conducting scientific research on human or equine diseases or injuries, entities created to assist in the preservation of natural resources, wildlife habitat or endangered species, and any other worthy charitable cause (5) participate in, conduct, and investigate all fund raising opportunities (6) support and subscribe to any charitable or public institution, organization, or club that may be for the benefit of the corporation; or to organize or to assist in organizing such institutions, organizations, or clubs if it shall be deemed necessary or beneficial to the corporation (7) do everything permitted by law and suitable or proper for the accomplishment of any of the purposes herein set forth.

The eligibility requirements for your events are as follows: completion of an application, open to D years old horses eligible for the E, US purpose bred only, age verification with application, commitment of riders/trainers to provide bi-monthly training update in the form of a vlog, horse and rider compete as a team and be registered with the F, must be eligible and complete the requirements for the G championships and participate in the championships to be considered for the final award, must satisfy all H requirements, and must sign a hold harmless agreement.

To enter the event applicants must submit an application form and fee. Your social media page will post each contestant bi-monthly. The social media page will develop a dialog on assessment of pedigrees, training of young horses with transparency, typical setbacks, etc., so allowing those not familiar with young horses to understand the patience and skill required. This could include a focus on breeding, with the breeders to contribute information, or will show groundwork or the starting of the horse under saddle, so as to expose the public to how young horses are started. If applicants do not post for two consecutive months, they will be eliminated from the program.

Awards will be presented at the E. The money that was collected will be distributed in the following manner after expenses are met. % to the breeder of highest scoring contestant, % to the highest scoring contestant, % to second place, % to third place, % to fourth place, and ribbons to the top entrants. An award will also be given to the winner of a drawing from all of those who correctly picked the highest scoring horse in a polling the week before the championships. Your income is from participant futurity entries; approximately % of your expenses go towards awards/prizes.

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. No part of the net earnings may inure to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) states that, in order to be exempt as an organization described in IRC Section 501(c)(3), an organization 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(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.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) states that an organization is not operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

Treas. Reg. Section 1.501(c)(3)-1(d)(2) defines the term charitable as including the relief of the poor and distressed or of the underprivileged, and the promotion of social welfare by organizations designed to lessen neighborhood tensions, to eliminate prejudice and discrimination, or to combat community deterioration. The term "charitable" also includes lessening of the burdens of government.

Revenue Ruling 71-421, 1971-2 CB 229, held that a dog club exempt under IRC Section 501(c)(7) formed to promote the ownership and training of purebred dogs and conduct obedience training classes may not be reclassified for exemption under Section 501(c)(3). Beyond the obedience course, members are encouraged to continue the training of their dogs in sporting and show events. "While the owner receives some instruction in how to give commands to his dog, it is the dog that is the primary object of the training. The dog is also the

primary object of the subsequent training in sporting and show events.” Therefore, the organization's training program for dogs is not within the meaning of educational as defined in the regulations.

In American Kennel Club, Inc. v. Hoey, 148 F.2d 920 (1945), the court held that the taxpayer wasn't exempt from federal taxation under the predecessor to IRC Section 501(c)(3) because regulating the sport of dog shows and field doesn't further charitable, educational, or scientific purposes. The corporation was formed to adopt and enforce uniform rules regulating and governing dog shows and field trials, to regulate the conduct of persons interested in exhibiting, running, breeding, registering, purchasing and selling dogs, to detect, prevent and punish frauds in connection therewith, to protect the interests of its members, to maintain and publish an official stud book and an official kennel gazette, and generally to do everything to advance the study, breeding, exhibiting, running and maintenance of the purity of thoroughbred dogs. The taxpayer's membership was found to be primarily interested in sport.

In Ann Arbor Dog Training Club, Inc. v. Commissioner, 74 T.C. 207 (1980), the court held that the taxpayer wasn't exempt from federal taxation under IRC Section 501(c)(3) because the training of dogs was a substantial purpose of the taxpayer, wasn't incidental to the taxpayer's achieving its alleged educational purpose of training the individual, and wasn't an educational purpose as described in the code.

Application of law

IRC Section 501(c)(3) sets forth two main tests for qualification for exempt status. As stated in Treas. Reg. 1.501(c)(3)-1(a)(1), an organization must be both organized and operated exclusively for purposes described in IRC Section 501(c)(3). You do not meet the operational test under IRC Section 501(c)(3) because you are not operating exclusively for charitable purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). You are formed to promote the breeding and training of horses through a financial reward based on competition results. While the prevention of cruelty to animals may be an exempt purpose you are instead primarily formed to promote sport horse competitions. As provided in Treas. Reg. Section 1.501(c)(3)-1(d)(2), you have not established that your operations accomplish exclusively charitable purposes.

You do not meet the requirements of Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) because you serve private interests, namely, the business interests of the breeders of the horses, more than incidentally. In addition to promoting the horses through the competition you are developing a market for them through media exposure. You are promoting the breeders and trainers of these horses and this pool of professionals. The provision of these services is not providing any benefit to a charitable class described in Treas. Reg. Section 1.501(c)(3)-1(d)(2) but is instead benefitting private individuals.

You are similar to the organizations in Revenue Ruling 71-421 and Ann Arbor Dog Training. You are formed to support the development, breeding and training of event horses. Similar to the dog club, you promote the participation of these horses in competitive shows and exhibitions. While you offer some education on horses, and owners are educated through your website and events, your primary purpose is not educational but to promote breeding and market these horses and their handlers. Further, while breeders or handlers are being educated your focus is the promotion and training of horses, not the individual.

You are similar to American Kennel Club, Inc. because you are regulating and promoting equestrian sports competitions. Similar to the organization in the court case you have adopted rules for eligibility and participants, market participants for media exposure, are aimed at developing and promoting breeding and generally advance the sport. That activity doesn't further charitable, educational or scientific purposes.

Substantial promotion of equestrian sport for competition prizes does not exclusively further exempt purposes under IRC Section 501(c)(3).

Conclusion

We have determined that you do not meet the requirements for tax exemption under IRC Section 501(c)(3). Your operations serve the private benefit of contestants and you are operating for a substantial non-exempt purpose. Accordingly, you are not operated exclusively for exempt purposes.

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