



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

Date:
08/23/2023
Employer ID number:

Form you must file:
1120
Tax years:
All
Person to contact:

Release Number: 202346030
Release Date: 11/17/2023
UIL Code: 501.00-00,
501.06-00, 501.06-01

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)(6). 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:



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

Date: 6/20/2023

Employer ID number:

Person to contact:

Name:
 ID number:
 Telephone:
 Fax:

Legend:

B = Date
 C = State
 D = Date
 L = Date
 M = Date
 N = Name
 P = Numbers

UIL:

501.00-00
 501.06 00
 501.06-01

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)(6). This letter explains the reasons for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under Internal Revenue Code Section 501(c)(6)? No, for the reasons stated below.

Facts

You are an unincorporated association formed on B in the state of C. You provided amended rules and regulations dated D which state members are charged a fee. This fee allows your members to sell at one of the two farmers markets you set up, from L through M. For a larger fee, members are allowed to sell their products at both markets. Between the months of July and September you charge members additional fees for setting up a stand. Also, vendors can purchase a one-day pass to sell products at the markets. All vendors must live within _____ miles to be eligible to sell at the markets. They also must grow or make what they sell. They also must submit to you the N and a market application a week before selling at the market for the first time.

You provide advertising as well as market the farmer's markets to improve customer turnout. You further explained that you advertise in local journals, through online websites and on social media to improve customer turnout. The majority of the advertisements lists your members and their products. The online website and social media posts have pictures of the local farmer members and their produce.

Member fees fund your operations. Your expenses consist of marketing expenses, insurance expenses and expenses for promotional events.

You are governed by a board of directors who facilitate the efficient operation of the farmer's markets. The board of directors will consist of in the range of P members. You also have market managers who are primarily responsible for the markets' operations.

Law

IRC Section 501(c)(6) provides for the exemption from federal income tax of business leagues not organized for profit and no part of the net earnings inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(6)-1 provides that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a business ordinarily carried on for profit. The activities of the business league should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 58-224, 1958-1 C.B. 242 holds that an organization, which operates a trade show as its sole or principal activity primarily for the purpose of rendering particular services to individual persons is not entitled to exemption from federal income tax as an organization described as a business league in IRC Section 501(c)(6). If the general purpose of the organization is to promote the interest of trade and increase the facilities of commercial transactions, particularly in connection to the sale of merchandise exemption will not be granted. The revenue ruling concludes that those activities substantially serve the exhibitors and retailers as a convenience and economy in the conduct of their business by providing selling opportunities for the distributors, and therefore, the organization is providing services for individuals

Rev. Rul. 68-264, 1968-1 C.B. 264, defined the performance of particular services for individual persons to include an activity that serves as a convenience or economy to members in the operation of their own businesses.

In Associated Master Barbers & Beauticians v Commissioner, 69 TC 53, 63 (1977) the court noted that the statute and regulations establish a series of requirements that an organization must meet to be described in IRC Section 501(c)(6). Further, failure to meet one or more of the requirements will cause the organization not to qualify for exemption under Section 501(c)(6). The state requirements are as follows:

1. It must be an association of persons having a common business interest,
2. Its purpose must be to promote that common business interest,
3. It must not be organized for profit,
4. It should not be engaged in a regular business of a kind ordinarily conducted for a profit,
5. Its activities should be directed toward the improvement of business conditions of one or more lines of business as opposed to the performance of particular services for individual persons, and
6. Its net earnings, if any, must not inure to the benefit of any private shareholder or individual.

Application of law

You do not qualify as a business league as described in IRC Section 501(c)(6) and Treas. Reg. Section 1.501(c)(6)-1. The essential exemption requirements to meet Section 501(c)(6) were defined in the court case,

Associated Master Barbers, and Beauticians v. Commissioner. Further, failure to meet one or more of the requirements will cause the organization not to qualify for exemption under Section 501(c)(6). The six requirements are:

1. It must be an association of persons having a common business interest
2. Its purpose must be to promote that common business interest
3. It must not be organized for profit
4. It shouldn't be engaged in a regular business of a kind ordinarily conducted for a profit
5. Its activities should be directed toward the improvement of business conditions of one or more lines of business as opposed to the performance of particular services for individual persons and
6. Its net earnings, if any, must not inure to the benefit of any private shareholder or individual

You fail requirement 5 because you are primarily engaged in providing particular services to individuals. Specifically, through providing a market where member vendors may sell their products, you are providing a direct service to those members. You manage and provide the venue for member vendors as well as provide insurance. You also advertise on behalf of members to improve customer turn out. For example, you provided samples of advertising which list the names of individuals, and the produce those individuals intend on selling at the farmer's market. Rev. Rul. 68-264 explains that an activity that serves as a convenience or economy to members in the operation of their own businesses is the performance of particular services for individual persons. Like the organization in Rev. Rul. 58-224, your primary activity is to provide a sales location and other services for your member vendors. This serves as a convenience and economy to your members to market and sell their products that they otherwise would not have. Serving your members in this manner is the performance of particular services for individual persons and does not improve the business conditions of one or more lines of business.

Conclusion

We conclude you are not described in IRC Section 501(c)(6) because you do not meet all six requirements for exemption. You primarily provide services to your members by providing a venue for members to sell their products. This precludes you from exemption under Section 501(c)(6).

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
FO Determinations Quality Assurance
Mail Stop 6403
PO Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
FO 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