



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

Date: 10/16/2023

Employer ID number:

Form you must file:

1120

Tax years:

All

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202402013

Release Date: 1/12/2024

UIL Code: 521.01-00,
501.07-00

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 521. 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



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

Date: 08/28/2023

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

X = State of Formation

Y = Date of Formation

UIL:

521.01-00

521.07-00

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 521. This letter explains the reasons for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under IRC Section 521? No, for the reasons stated below.

Facts

You incorporated as a domestic non-profit corporation in the State of X on Y. Your corporate purpose includes providing training for young at-risk adults and the establishment of a facility for trainees to , service and recycle equipment, and other projects.

Your application and subsequent response to request for additional information indicate you will provide educational training classes for youth, homeless individuals, and young entrepreneurs. Classes include learning about agriculture, agriculture products, arts and crafts products, and repurposing recyclables. Your personal development classes consist of discipline, , money, education, and religion. You also indicate that you wish to provide transitional housing for . You state that these activities will only constitute a small percentage of your total activities. You did not provide a description of what the remainder of your time and funds will be spent on.

You answered "Yes" when asked if you are a membership organization and that you have several active non-voting members. You indicate that membership is voluntary and there are no membership requirements, however, members will help raise funds for you.

Your financial information indicates a portion of your income comes from donations and gifts, as well as from gross receipts related to your exempt purpose. However, you did not provide additional detail regarding the

activities that generate that income. Your expenses consist of fundraising expenses and contributions paid to other entities.

Law

IRC Section 521(a) provides, in part, that a farmers' cooperative organization described in Section 521(b)(1) shall be exempt from taxation under Subtitle A, except as otherwise provided in Article 1 of subchapter T of the Code.

IRC Section 521(b)(1) states that the type of farmers' cooperative exempt from taxation are farmers, fruit growers, or like associations organized and operated on a cooperative basis (A) for the purpose of marketing the products of members or other producers, and turning back to them the proceeds of sales, less the necessary marketing expenses, on the basis of either the quantity or the value of the products furnished by them, or (B) for the purpose of purchasing supplies and equipment for the use of members or other persons, and turning over such supplies and equipment to them at actual cost, plus necessary expenses.

Treasury Regulation Section 1.521-1(a)(1) provides that cooperative associations engaged in the marketing of farm products for farmers, fruit growers, livestock growers, dairymen, etc., and turning back to producers the proceeds of the sales of their products, less the necessary operating expenses, on the basis of either the quantity or the value of the products furnished by them, are exempt under Section 521.

Treas. Reg. Section 1.521-1(b) provides that cooperative associations engaged in the purchasing of supplies and equipment for farmers, fruit growers, livestock growers, dairymen, etc. and turning over such supplies and equipment to them at actual cost, plus necessary operating expenses are exempt under IRC Section 521.

Treas. Reg. Section 1.521-1(d) provides that cooperative organizations engaged in occupations dissimilar from those of farmers, fruit grower, and the like are not exempt under IRC Section 521.

Revenue Ruling 55-611, 1955-2 C.B. 270, provides that an association which is not composed of farmers, fruit growers, or persons engaged in similar pursuits is not exempt under IRC Section 521 unless it could be a 'like association' within the intendment of that section. Therefore, if an association purchases supplies and equipment for its members who are fishermen or oyster growers, this is not a farmers', fruit growers' or like association and is not exempt from tax under Section 521.

Rev. Rul. 64-246, 1964-2 C.B. 154, provides that an association organized and operated on a cooperative basis for the purpose of marketing "farm-raised fish" is considered an organization composed of producers of farm products. Accordingly, the organization is entitled to exemption as a farmers', fruit growers', or like association under IRC Section 521.

Application of law

Organizations that receive exemption under IRC Section 521(a) must be formed as a group of farmers, fruit growers, or like associations organized and operated on a cooperative basis. Based on the information provided, you provide educational training classes for youth, homeless individuals, and young entrepreneurs. Therefore, you do not meet the qualifications of IRC Section 521(a) and Section 521(b)(1).

In addition, there is no indication you market farm products for farmers, fruit growers or like associations as required in Treas. Reg. Section 1.521-1(b). You also do not purchase supplies and equipment for farmers, fruit growers, or like organizations. As previously mentioned, you were formed primarily to provide educational training classes for youth, homeless individuals, and young entrepreneurs within your community. You are similar to Treas. Reg. Section 1.521-1(d) because your activities are dissimilar to those who conduct activities as stated in that regulation. Therefore, you do not meet the qualifications of IRC Section 521.

Rev. Rul. 55-611 and Rev. Rul. 64-246 describe what is, or is not, considered a group of farmers, fruit growers, or like association. You are formed primarily to provide educational training and other services for your local community. While you indicate you have a membership, there is no indication that this membership is comprised of a group of farmers, fruit growers, or like association. Therefore, you are not operating in a similar fashion to Rev. Rul. 55-611 that did not qualify for exemption under IRC Section 521. And since you are not engaged in marketing any form of farm products, you do not the requirements as outlined in Rev. Rul. 64-246. Based on these facts, you do not meet the qualification of Section 521.

Conclusion

We conclude that you are not operated as a farmers cooperative described in IRC Section 521. Your activities are not primarily directed to farmers, fruit growers, or like associations organized and operated on a cooperative basis, but rather to providing educational training classes for youth, homeless individuals, and young entrepreneurs. Therefore, you do not meet the requirements for exemption under Section 521.

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