



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

Date:  
01/03/2024  
Employer ID number:

Tax years:  
All  
Person to contact:

Release Number: 202413013  
Release Date: 3/29/2024  
UIL Code: 501.01-00,  
501.03-05

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](http://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:  
October 25, 2023  
Employer ID number:

**Person to contact:**

Name:  
ID number:  
Telephone:  
Fax:

**Legend:**

B = date  
C = state  
D = city  
E = event  
F = company  
g dollars = amount

**UIL:**

501.01-00  
501.03-05

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 attest that 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 in your 1023-EZ application your mission is to host an annual festival featuring trail and mountain bike races, a family treasure hunt, and other events to entertain younger participants. You are conducting events that contribute to the character and culture of the town and bring tourism to support small businesses and town revenue. You also state that you support the physical, mental, and economic health benefits of D by promoting the benefits of running/cycling and being in nature/on the trails. In doing so you promote holistic wellness through sports for all ages. Your annual festival offers the following trail races for runners (half marathon, full marathon, and 55k ultra), mountain bikers (25K and 50K), E (mostly families following a -mile course), striders races (for kids age and under), sprint races (for and under), fitness bootcamp, women's mountain bike clinic, fun " " and " " for children.

Trail races and mountain bike races are organized by F; "professionals in the outdoor industry". F charges entry fees for the six events they manage, and you will also support F financially. You charge g dollars for E.

### **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.

Rev. Rul. 70-4, 1970-1 C.B. 126 states an organization engaged in promoting and regulating a sport for amateurs is not exempt under IRC Section 501(c)(3) but is exempt under Section 501(c)(4). The organization was formed for the stated purposes of promoting the health of the general public by encouraging all persons to improve their physical condition and of fostering by educational means public interest in a particular sport for

amateurs. Promotion and regulation of a sport for amateurs as described neither improve nor develop the capabilities of the individual nor instruct the public on subjects useful to the individual and beneficial to the community within the meaning of the regulations. Therefore, these activities are not educational within the meaning of Section 501(c)(3). However, the organization by promoting and regulating a sport for amateurs is providing wholesome activity and entertainment for the social improvement and welfare of the community. This promotes the common good and general welfare of the people of the community.

Rev. Rul. 77-365, 1977-2 C.B. 192 amplified Rev. Rul. 65-2 in that the definition of 'educational' provided in Treas. Reg. Section 1.501(c)(3)-1(d)(3) contains no limitation with regard to age in defining that term. The organization is organized and operated only to instruct and educate individuals of all ages and skill levels in a particular sport. Therefore, by instructing individuals of all ages in a given sport the organization is improving or developing their capabilities. The organization in the ruling, however, did not establish rules, set standards for equipment, or sponsor league competition for the sport in which it provides instruction.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court determined the activities of that organization were aimed at promoting the prosperity and standing of the business community and therefore served a substantial private purpose. It concluded that the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption regardless of the number or importance of statutorily exempt purposes.

#### **Application of law**

IRC Section 501(c)(3) sets forth two main tests for qualification for exempt status. As stated in Treas. Reg. Section 1.501(c)(3)-1(a)(1), an organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). You are not operating in accordance with Treas. Reg. Section 1.501(c)(3)-1(c)(1) because you are not primarily engaged in activities that accomplish exclusive exempt purposes specified in Section 501(c)(3). You are conducting a festival which serves a substantial social and recreational purpose. Further, you are promoting adult sports competitions. Therefore, you are precluded from exemption under Section 501(c)(3).

You are similar to the organization in Rev. Rul. 70-4 in that you are hosting, organizing and/or sponsoring a two-day event featuring competitive races for individuals/families. As you have stated, the goal is to promote holistic wellness through sports for people of all ages. An organization engaged in promoting and regulating a sport for amateurs is not exempt under IRC Section 501(c)(3), but rather, is better qualified for exemption under Section 501(c)(4). As seen in Rev. Rul. 77-365, the activity of educating on a sport can be done for individuals of any age as a qualifying activity under Section 501(c)(3). However, an organization providing instruction cannot also set rules or engage in arranging competition. The promotion and regulation of a sport for amateurs as described serves the common good and general welfare of the people of the community, but this is not exclusively educational within the meaning of Section 501(c)(3).

You are like the organization described in Better Business Bureau v. US. Although you may have some educational and charitable purposes, such as teaching people a sport, educating on wellness, and working with youth, you are operated for a substantial nonexempt purpose of competitive athletic events. Further, your festival is also serving social and recreational purposes in a more than incidental manner. The presence of a substantial non-exempt purposes, regardless of the number of qualifying exempt purposes, precludes exemption under IRC Section 501(c)(3).

**Conclusion**

Based on the information submitted, you do not meet the operational test for IRC Section 501(c)(3) because you are operated for substantial nonexempt purposes. Therefore, you do not qualify for exemption under Section 501(c)(3).

**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](http://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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements