



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

Date:
12/12/2024
Employer ID number:

Person to contact:

Release Number: 202510014
Release Date: 3/7/25
UIL Code: 501-00.00, 501-03.00, 501-03.30

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: 10/10/2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date of Formation
C = State of Formation
D = Date of Submission
E = Name
F = Month
G = Related Entity
x dollars = Fee
y dollars = Fee

UIL:

501-00.00
501-03.00
501-03.30

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, Streamline Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code on D.

You attest that you were incorporated on B, in the state of 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 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 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 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 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

In your Bylaws you stated that your mission and objectives of E are:

- To boost, strengthen, and promote downtown E with brick-and-mortar business and community.
- To encourage growth and enhancement of the community by providing local events, community attractions, and revitalizing the downtown area for the residents and surrounding communities
- To elevate communications and cooperation between merchants and administration of E

Detailed information was subsequently requested. Your activities are events with food, shopping and entertainment that occur once a month in the business located at downtown E city limits. You state that you spend 2 days a month on activities.

You do not engage in community economic development. The city and county government oversees the development.

In your Bylaws you discuss your membership criteria and voting rights:

- Active Membership - Owners or representatives of a brick-and-mortar business located inside the city of E upon payment of dues at the rate established for active members.
- Associate Membership – Owners of representatives of a brick-and-mortar business located outside the city of E upon payment of dues at the rate established for associate members.
- Only members whose dues are current shall be entitled to vote. Any member may make or second a motion shall be entitled to participate in all discussions.

Your membership benefits are:

- Attend monthly meetings.
- Voting rights for business discussions.
- Weekly social media posts, shares, and advertisement.
- Window decal showing membership.
- Participate in all fundraising activities.
- Networking within the local community.
- Oversee and organize publications.
 - Events shared by visiting G.
 - Association ads in G visitors guide.
 - Advertisements played via regional radio station.

Your annual fees for membership for active members shall be x dollars and y dollars for associate members.

Your events held the first Friday night of the month starting in B to F. Each month features live music from a different local artist or band, 3 food trucks, and extended hours from all the businesses that last for 3 hours.

Your events advertise on social media, physical flyers that are distributed, on the calendar of G website and businesses and through a radio campaign. These advertisements give an insight to all the brick-and-mortar businesses in the downtown area.

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 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 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 that 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) provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest.

Revenue Ruling 67-367, 1967-2 C.B. 188, describes a nonprofit organization whose sole activity is the operation of a "scholarship fund" plan for making payments to pre-selected, specifically named individuals, does not qualify for exemption.

Rev. Rul. 69-175, 1969-1 C.B. 149, describes an organization which was formed by parents of pupils attending a private school to provide bus transportation to and from the school for those children whose parents belong to the organization. The organization did not qualify for exemption under IRC Section 501(c)(3) because it served a private rather than public interest.

Rev. Rul. 74-587, 1974-2 C.B. 162, Housing-A nonprofit organization formed to relieve poverty, eliminate prejudice, reduce neighborhood tensions, and combat community deterioration through a program of financial assistance in the form of low-cost or long-term loans to, or the purchase of equity interests in, various business enterprises in economically depressed areas is exempt under IRC Section 501(c)(3).

Rev. Rul. 77-111, 1977-1 C.B. 144, Community improvement; promoting business activity in an economically deteriorated area-An organization was formed to increase business patronage in a deteriorated area by providing information on shopping in the area and providing a telephone information service on transportation

and accommodations. Another organization was formed to revive declining sales in a particular area and purchased land for the construction of a retail center. Neither organization qualified for exemption under IRC Section 501(c)(3).

In Better Business Bureau of Washington, D.C., Inc v. United States, 326 U.S. 279 (1945), the Supreme Court of the United States interpreted the requirement in IRC Section 501(c)(3) that an organization be “operated exclusively” by indicating that an organization must be devoted to exempt purposes exclusively. The presence of a single non-exempt purpose, if more than insubstantial in nature, will destroy the exemption regardless of the number and importance of truly exempt purposes.

Application of law

IRC Section 501(c)(3) sets forth two main tests for qualification of 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 operated in accordance with Treas. Reg. Section 1.501(c)(3)-1(c)(1) because you are operated for a substantial nonexempt private purpose. The facts show that you are operated for the benefit of your business members. Your sole purpose is to promote business in the community with the food, shopping and entertainment activities. These facts also illustrate that you are operated to serve the private interests of your member businesses in contravention to Treas. Reg. Section 1.501(c)(3)-1(d)(ii).

You do not meet the provisions of Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) because, like the organizations described in Revenue Rulings 69-175 and 67-367, your activities serve to benefit the private interests of your members rather than the public.

You do not meet the provisions of Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) because, like the organizations described in Revenue Ruling 74-587, your activities serve to revive the decline of sales in a particular area. This serves the private interest of your members rather than a public interest.

You are like the organization described in Revenue Ruling 77-111 in that you provide community improvement and promoting businesses activity in an economically deteriorated area to form to increase business patronage by providing information on businesses. This serves the private interest of your members rather than a public interest.

Conclusion

Based on the information submitted, you do not meet the requirements for exemption under IRC Section 501(c)(3). You do not meet the operational test as you are not operated exclusively for one or more exempt purposes within the meaning of Section 501(c)(3). The information provided indicates that you are operated substantially for the private interest of your business members. Therefore, you do not qualify for exemption under Section 501(c)(3). Donations to you are not deductible.

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