



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

Date:
01/30/2025
Employer ID number:

Person to contact:

Release Number: 202517017
Release Date: 4/25/2025
UIL Code: 501.03-00,
501.03-30, 501.35-00

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
Letter 4038



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

Date: 12/12/2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

S = Date

T = State

U = City, State

UIL:

501.03-00

501.03-30

501.35-00

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, Streamline Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code. You attest that you were incorporated on S in the State of T.

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 the 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 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

Your Form 1023-EZ indicated you are a club for automobile owners and enthusiasts. You provide opportunities for your club members to gather and promote their interest as a respectable hobby within U and surrounding communities.

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

You are a membership organization that conducts regularly scheduled automobile-related events and shows. In addition, you host annual club picnics, a tour award sponsorship, and participate in parades and attend rodeos where children can access and ride in some of your members' cars.

Throughout the year, you also conduct a back-to-school supplies drive, an Easter egg hunt, a toy drive, and provide two families with Thanksgiving meals and Christmas toys. Past activities you conducted included donating goods to a community after a natural disaster. Future activities may include establishing a bi-monthly book and video mobile center (i.e., a "bookmobile") using a converted school bus you own.

Your activities are conducted at parks with some indoor events. If your event is on private property, you fence in the area and provide security and bathroom facilities. Participants in your events include your members, other people within the car and motorcycle show circuit, and the general public. Your activities are scheduled to avoid any conflicts with your automobile-related shows and events.

You charge various entry fees for your events and shows, including separate fees for cars, motorcycles, and bicycle/pedal cars. You use tour prices per show to determine your fees. Your other sources of revenue include club dues and donations.

Law

IRC Section 501(c)(3) provides for the recognition of exemption for organizations that are organized and operated exclusively for religious, charitable, educational, 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 to be exempt as an organization described in IRC Section 501(c)(3), the organization must be organized and operated exclusively for one or more of the exempt purposes described in this 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 as 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 the term “educational,” as used in IRC Section 501(c)(3), relates to the instruction or training of individuals for the purpose of improving or developing their capabilities or the instruction of the public on subjects useful to the individual and beneficial to the community.

In Revenue Ruling 67-139, 1967-1 C.B. 129, Situation 2 describes a club formed by mineralogy and lapidary enthusiasts “to disseminate knowledge of mineralogical and lapidary subjects, to promote their application so the greater pleasure may be derived from these activities, and to promote good fellowship among its members.” To further its purposes, this club held meetings in which its members would “discuss gem and mineral topics and sell, purchase, or exchange rock and mineral specimens.” It was determined that the club was organized and operated primarily for the benefit, pleasure, or recreation of its members. Its activities were only incidentally educational, and as such, the club did not qualify for tax exemption under IRC Section 501(c)(3).

In Rev. Rul. 67-216, 1967-2 C.B. 180, a nonprofit organization formed and operated exclusively to instruct the public on agricultural matters by conducting annual public fairs and exhibitions of livestock, poultry, and farm products qualified for exemption from federal income tax under IRC Section 501(c)(3). The organization's activities and exhibits were planned and managed by or in collaboration with persons whose business it is to inform and instruct farmers and the general public on agricultural matters (i.e., home demonstration agents, county agricultural agents, etc.), and the resulting displays were designed to be instructive. The presence at the fair of recreational features, such as midway shows, refreshment stands, and a rodeo, were incidental to the fair's overall educational purpose.

In Rev. Rul. 77-366, 1977-2 C.B. 192, it was held that a nonprofit organization that arranges and conducts wintertime ocean cruises, during which activities to further religious and educational purposes were provided in addition to extensive social and recreational activities, was not operated exclusively for exempt purposes and did not qualify 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 held that the presence of a single non-exempt purpose, if substantial, will destroy a claim for exemption, regardless of the number or importance of truly exempt purposes.

In Minnesota Kingsmen Chess Association v. Commissioner, T.C. Memo 1983-495 (1983), the organization sponsored chess tournaments, provided chess magazines and books to libraries, offered free chess lessons, and published a newsletter that primarily contained reports of past tournaments and announcements of future ones. The petitioner sought exemption under IRC Section 501(c)(3) because its purposes and activities were described as educational. The court found that the promotion of chess tournaments furthered a substantial recreational purpose, even though individual participants may have received some educational benefits.

In St. Louis Science Fiction Limited v. Commissioner, 49 T.C. Memo 1985-162, the Tax Court held that a science fiction society failed to qualify for tax-exempt status under IRC Section 501(c)(3). Although many of the organization's functions at its annual conventions (the organization's principal activity) were educational, its overall agenda was not exclusively educational. A substantial portion of convention affairs were social and recreational activities.

In Spanish American Cultural Association of Bergenfield v. Commissioner, T.C. Memo 1994-510 (1994), an organization was created to foster the cultural heritage of the local Spanish-American residents. Except for the charitable donations and scholarships, the organization primarily engaged in social activities

designed to provide Spanish-American residents with a sense of community. They were granted exempt status under IRC Section 501(c)(4), but then applied for exempt status as a charitable organization described in Section 501(c)(3). It was found that they did not qualify under Section 501(c)(3) because their social activities were more than insubstantial in comparison to its charitable activities.

Application of law

You do not meet the requirements for recognition of tax exemption under IRC Section 501(c)(3) because you fail the operational test as described in Treas. Reg. Section 1.501(c)(3)-1(a)(1).

You are a club whose members participate in substantial recreational activities. By organizing extensive social and recreational activities for your members and the public, you are not exclusively furthering exempt purposes as required in Treas. Reg. Section 1.501(c)(3)-1(c)(1). Although your activities may include some charitable or educational aspects, such as toy drives or operating a bookmobile, such activities are incidental to your primary purpose of providing car owners and enthusiasts with social and recreational opportunities. Therefore, you do not meet the provisions in Treas. Reg. Section 1.501(c)(3)-1(c)(1), because more than an insubstantial part of your activities is not in furtherance of an exempt purpose.

You are similar to the organizations described in Rev. Rul. 67-139 and Rev. Rul. 77-366, because your activities do not exclusively further exempt purposes under IRC Section 501(c)(3). Again, your activities may contain incidental charitable or educational aspects, but the primary purpose for which you are organized and operated is to conduct recreational activities for the benefit, pleasure, and recreation of your members. This furthers a substantial nonexempt purpose and precludes exemption under Section 501(c)(3).

You are dissimilar to the organization described in Rev. Rul. 67-216, because you are not organized and operated for exclusively educational purposes by instructing the public on matters useful to the individual or beneficial to the community as described in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii). Operating a future community bookmobile or allowing children to interact with your members' cars during shows, events, parades, and/or rodeos may be incidentally educational, but such activities are insubstantial to your primary purpose of providing extensive social and recreational opportunities for your club members and the public, which, again, do not further exempt purposes under IRC Section 501(c)(3).

As noted in Better Business Bureau of Washington, D.C., the presence of a single non-exempt purpose, if substantial in nature, will preclude exemption under IRC Section 501(c)(3). Your activities may serve the public and community at large, and certain activities may be charitable or educational, but operating as a club for the social and recreational interests of your members furthers a substantial nonexempt purpose and does not qualify you for exemption under Section 501(c)(3).

Finally, you are similar to the organizations in Spanish American Cultural Association of Bergenfield, Minnesota Kingsmen Chess Association, and St. Louis Science Fiction Limited, where substantial social and recreational activities precluded exemption under IRC Section 501(c)(3), despite some of their activities incidentally furthering exempt purposes. Your overall agenda is not exclusively charitable, because you further substantial social and recreational purposes, even though some activities may receive incidental educational benefits or charitable services and goods.

Conclusion

Based on the facts and circumstances provided in your application materials, you do not meet the operational test under IRC Section 501(c)(3) because substantially all of your activities further substantial nonexempt social and recreational purposes. Thus, you do not meet the requirements for federal tax exemption under Section 501(c)(3). Contributions to you are not deductible by your donors.

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