



**Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities**

Date:
09/22/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202551043
Release Date: 12/19/2025
UIL Code: 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

Date:
07/29/2025
Employer ID number:

Person to contact:
Name:
ID number:
Telephone:
Fax:

Legend:

B = Date
C = State
D = Month
E = Month
F = Month
G = Month
w percent = Percent
x dollars = Amount
y dollars = Amount
z dollars = Amount

UIL:
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, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

You attested that you were formed as an unincorporated association on B, in the state of C. You attested 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 attested that you are organized and operated exclusively to further charitable and educational purposes. You attested that you have not conducted and will not conduct prohibited activities under IRC Section 501(c)(3). Specifically, you attested 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 mission is to promote entrepreneurial leadership skills, community outreach, and provide resources such as space and funding for small businesses, local artists, and musicians. Your purpose is to foster an environment that supports local entrepreneurship, creativity, and economic development, with an emphasis on small businesses, artists, and musicians.

Your bylaws state that you are organized exclusively for charitable and educational purposes. Specifically:

- To promote entrepreneurial leadership within the community,
- To provide resources, space, and funding opportunities for small businesses, local artists, and musicians,
- To organize community focused events such as car shows, workshops, and exhibitions to support and showcase local talent, and
- To foster collaboration and mentorship opportunities among community members to inspire innovation and creativity.

Your membership is open to individuals, small business owners, artists, musicians, and community members who support your mission. You have three committees. The events committee plans and executes car shows, workshops, and community events. The fundraising committee identifies funding opportunities and manages donor relations. The mentorship and resource committee develops programs to support small businesses, artists, and musicians.

Your key goals are as follows:

- **Support Local Entrepreneurs:** Provide mentorship, networking opportunities, and financial support to small business owners to help them grow and succeed.
- **Promote Artistic Expression:** Create a platform for local artists to showcase their work, collaborate with others, and gain recognition.

- **Empower Musicians:** Offer spaces for musicians to perform, create, and build connections in the music industry.
- **Community Engagement:** Organize and host events such as car shows, music festivals, and art exhibitions to engage the community and raise awareness of local talent.
- **Fundraising and Resource Allocation:** Raise funds through donations, sponsorships, and fundraising events to support initiatives and provide grants or financial assistance to individuals and organizations in need.
- **Develop Partnerships:** Establish relationships with other nonprofits, businesses, and local governments to strengthen community outreach and expand resources.

Your activities include the following:

- Conducting business workshops and training that guide business owners through the process of obtaining the necessary registrations and licenses to operate in C. You focus on business development, financial literacy, marketing strategies, and leadership skills for aspiring entrepreneurs.
- Assisting with securing funding from various for-profit and non-profit organizations while also providing resources to enhance brand awareness and marketing strategies.
- Hosting monthly artisan fairs between D and E that feature diverse vendors from multiple cultural backgrounds. The events showcase local culture and provide a platform for small businesses to connect with the community. Your goal is to grow the participants for these events by w percent each year and eventually fill large spaces. You charge vendors between x dollars and y dollars depending on the size of the booth and the size of the event. The fee is used to cover costs and support community initiatives.
- Hosting low cost and free showcases and art exhibits for local artists.
- Providing low cost and free rehearsal spaces, instruments, and performance opportunities for local musicians.
- Offering funding and grants for artistic projects, events, or education.
- Developing a grant program to provide financial support to small businesses, artists, and musicians to fund their creative projects, business expansion, or community initiative.
- Facilitating networking events and collaboration between entrepreneurs, artists, musicians, and community organizations to help participants build relationships, share resources, and enhance growth.
- Creating tailored social media posts to further promote the participating businesses and highlight their products and services for each event.
- Conducting music concerts from F to G to celebrate local talent and cultural music.

- Hosting car shows that exhibit classic and custom vehicles.
- Conducting various contests at events such as cooking competitions and jalapeno eating contests. Participants pay a fee of z dollars or less to enter and the funds go toward event costs and community programs.
- Celebrating various holidays throughout the year. The events feature door prizes and family friendly activities such as trick or treating, costume contests, themed gifts, salsa dance lessons, breakdance contests, and line dancing
- Maintaining a website and creating newsletters with information on programs, events, donation opportunities, and success stories.
- Collaborating with local nonprofits, government agencies, and community organizations to expand your reach and resources.

All of your activities are conducted at community centers, parks, and local venues in C. You select locations based on their accessibility and capacity to accommodate attendees.

Law

Internal Revenue Code 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 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 exempt purposes unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

Revenue Ruling 65-271, 1965-2 C.B. 161, held that a nonprofit organization that was created to develop and promote an appreciation of jazz music as an American art form through the presentation of public jazz festivals or concerts qualified for exemption under IRC Section 501(c)(3) as a charitable and educational organization.

Rev. Rul. 69-175, 1969-1 C.B. 149, held that a nonprofit organization that was formed by parents of pupils attending private school that provides school bus transportation for its members' children serves a private rather than a public interest and does not qualify for exemption under IRC Section 501(c)(3).

Rev. Rul. 76-366, 1976-2 C.B. 144, held that an association of investment clubs formed to enable members and prospective investors to make sound investments by the mutual exchange of investment information that carries on not only educational activities but other activities to support and promote the economic interest of its members does not qualify for exemption under IRC Section 501(c)(3). Although some of the activities are educational, the organization is serving private interests by furnishing information to prospective investors to enable them to make sound investments.

Rev. Rul. 77-111, 1977-1 C.B. 144 states that an organization formed to increase business patronage in a deteriorated area by providing information on the area's shopping opportunities, local transportation, and accommodations is not operated for charitable purposes and doesn't qualify for exemption under Section 501(c)(3) of the Code. Additionally, an organization whose purpose is to revive retail sales in an area of economic decline by constructing a shopping center doesn't qualify for exemption.

Rev. Rul. 77-366, 1977-2 C.B. 192, held that a nonprofit organization that arranged and conducted 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 does 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 held that the presence of a single non-exempt purpose, if substantial in nature, will destroy the claim for exemption regardless of the number or importance of truly exempt purposes.

In St. Louis Science Fiction, Ltd. v. Commissioner, T.C. Memo 1985-162 (1985), the Tax Court reviewed the annual convention of a science fiction organization. It held that while the conventions may have provided some educational benefit to some of the individuals involved, social and recreational activities (e.g., pool party, masquerade party, gaming rooms) and private benefit (art sales) predominated and exemption under section 501(c)(3) wasn't warranted.

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), if an organization fails to meet either the organizational test or the operational test, it is not exempt. You are not operated exclusively for exempt purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). You engage in substantial non-exempt activities through your social events and exhibitions as well as your support and promotion of businesses, artists, and musicians. Although portions of these activities are intended to further charitable and educational purposes, these activities serve substantial non-exempt purposes. Like the organizations in Rev. Rul. 77-111 your assistance to businesses results in benefit to those businesses rather than to exclusively accomplish 501(c)(3) purposes and there is no evidence that you serve a charitable purpose or members of a charitable class. Similar to the organization in Better Business Bureau, you have a substantial non-exempt purpose. Therefore, you are not operating exclusively for exempt purposes under IRC Section 501(c)(3) and you fail the operational test.

You are similar to the organization in Rev. Rul. 77-366 as well as the organization in St. Louis Science Fiction Limited v. Commissioner. You are not operating exclusively for exempt purposes under IRC section 501(c)(3) because a substantial part of your activities such as the concerts, car shows, holiday events, and various concerts

are for the benefit, pleasure, and recreation of the community. Unlike the organization in Rev. Rul. 65-271, these activities are not charitable and educational.

Additionally, you have not established that you are not organized or operated for the benefit of private interests as stated in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii). As stated in Rev. Rul. 69-175, when a group of individuals provide a cooperative service to themselves, they are serving a private interest. By providing resources such as space and funding for small businesses, local artists, and musicians you are serving private interests rather than public interests.

The organization described in Rev. Rul. 76-366 conducted activities directed to the support and promotion of the economic interests of the investment clubs that comprise its membership. Like that organization, your activities such as conducting networking opportunities for small businesses and providing financial support to small businesses, artists, and musicians to fund their projects, business expansion, or community initiatives, as well as creating tailored social media posts to promote participating businesses and highlight their products and services for each event all serve private rather than public interests.

Conclusion

Based on the information provided, you do not meet the requirements for exemption under IRC Section 501(c)(3) because you are not operated exclusively for exempt purposes. A substantial portion of your activities have social and/or recreational purposes and serve the private interests of your members. 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 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