



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

Date:
11/13/2025
Employer ID number:

Form you must file:

Person to contact:

Release Number: 202606004
Release Date: 2/6/2026
UIL Code: 501.03-00, 501.03-05, 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
Letter 4038



**Department of the Treasury
Internal Revenue Service**

Date:
09/22/2025

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date

C = State

D = Event

UIL:

501.03-00

501.03-05

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 incorporated on B in the State of C. Your Articles of Incorporation state that you were formed "to enjoy the season of D." Your Articles did not contain provisions for the disposition of your assets upon dissolution.

You purchase beads, toys and other supplies for your participation in the D parades twice a year. You decorate and maintain a bus, a sound system and participate in the parades by playing music and distributing the beads and toys to the crowds that gather to watch the parades. You provide free entertainment to everyone in the community. Your activities are funded through donations and designed to bring your community together and not directed exclusively toward children, the elderly or disabled persons.

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(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(4) holds that an organization is not organized exclusively for one or more exempt purposes under IRC Section 501(c)(3) unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or operation of law, be distributed for one or more exempt purposes.

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.

Treas. Reg. Section 1.501(c)(3)-1(d)(2) defines the term "charitable" as including the relief of the poor and distressed or of the underprivileged, and the promotion of social welfare by organizations designed to lessen neighborhood tensions, to eliminate prejudice and discrimination, to defend human and civil rights secured by law, or to combat community deterioration. The term "charitable" also includes the advancement of religion, education, or science.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) 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 65-191, 1965-2 C.B. 157, an exempt organization was formed to extend hospitality, promote cultural and educational programs, and provide an environment for social contact to further cultural awareness and understanding for international visitors and students. The organization operated a hospitality-type community center, which provided a library, auditorium, lounges, several meeting rooms, and other facilities to conduct educational programming for its members and the public, which included lectures, discussions, educational films, musical programs, and certain language courses. By providing an environment that fostered cultural awareness and a better understanding and appreciation of international customs, the organization was held to further exempt purposes under IRC Sec. 501(c)(3).

Rev. Rul. 67-216, 1967-2 C.B. 180, held that an organization formed and operated exclusively to instruct the public on agricultural matters by conducting annual fairs and exhibitions may qualify for exemption 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 was to inform and instruct farmers and the general public on agricultural matters (i.e., home demonstration agents, county agricultural agents), 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.

Rev. Rul. 77-366, 1977-2 C.B. 192, held that an organization formed to conduct winter-time ocean cruises that included activities to further religious and educational purposes in addition to substantial social and recreational activities didn't qualify for exemption under IRC Section 501(c)(3).

In Better Business Bureau v. United States, 326 U.S. 279 (1945), the Supreme Court stated that the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption under IRC Section 501(c)(3), regardless of the number or importance of statutorily exempt purposes.

In St. Louis Science Fiction, Ltd. v. Commissioner, T.C. Memo 1985-162 (1985), the Tax Court considered 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 IRC Section 501(c)(3) wasn't warranted.

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 local Spanish-American residents. Except for charitable donations and scholarships, along with an educational presentation designed to introduce Spanish-American culture to the community, the organization primarily engaged in social activities to provide residents with a sense of community. They were granted exemption under IRC Section 501(c)(4) but then applied for exemption as a charitable organization described in IRC Section 501(c)(3). They did not qualify under Section 501(c)(3) because their social activities were more than insubstantial compared to their exempt activities.

Application of law

You are not described in IRC Section 501(c)(3) because you are not organized and operated exclusively for exempt purposes according to Treas. Reg. Section 1.501(c)(3)-1 (a)(1).

Treas. Reg. Sections 1.501(c)(3)-1(b)(1)(i) and 1.501(c)(3)-1(b)(4) provide, in part, that to meet the organizational test an organization's articles of organization must limit its purposes to, and not be broader than, one or more exempt purposes. The purpose listed in your Articles of Incorporation, to enjoy the season of D, is broader than those purposes listed in IRC Section 501(c)(3). Your assets are also not dedicated to an exempt purpose. Accordingly, you do not meet the organizational test under IRC Section 501(c)(3).

You are not operated exclusively for purposes within the meaning of IRC Section 501(c)(3). You are not described in Treas. Reg. Section 1.501(c)(3)-1 (c)(1) because you do not engage primarily in activities which accomplish one or more exempt purposes specified in Section 501(c)(3). A substantial part of your activities further social and recreational purposes for the entertainment of the entire community, which do not further charitable purposes as defined in Treas. Reg. Section 1.501(c)(3)-1(d)(2).

Your purpose, to enjoy the season of D, is carried out by providing free entertainment during parades to the public to bring your community together. These activities are open to the entire community; therefore, you do not exclusively provide relief to the poor or distressed or underprivileged per Treas. Reg. Section 1.501(c)(3)-1 (c)(1) and Treas. Reg. Section 1.501(c)(3)-1(d)(2). Maintaining a bus and sound system to participate in parades and throw beads, toys, and other supplies to parade crowds also does not exclusively further religion or science under IRC Section 501(c)(3).

Your activities, while promoting a sense of community, also do not exclusively promote social welfare under IRC Section 501(c)(3). For instance, you do not organize the parade as a cultural event to educate the public on D and donate any proceeds to charity. Instead, your participation is limited to free entertainment for the social and recreational enjoyment of the general public, which does not lessen neighborhood tensions or combat community deterioration per Treas. Reg. Section 1.501(c)(3)-1(d)(2). Therefore, you are not operating for charitable purposes under IRC Section 501(c)(3).

You are also not organized to promote education as defined in Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i). Your purpose, to enjoy the season of D, is accomplished by decorating a bus and sound system and throwing beads, toys, and other supplies to parade crowds. This, alone, does not intentionally educate individuals or the public on the history, cultural heritage, and arts and music of D. Your activities may expose the crowd to the cultural heritage of D; however, this type of exposure is incidental and not designed to specifically educate per Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i). Again, crowds may enjoy your decorated bus, the music, and the free items, such as beads and toys, without receiving any education on the history, cultural heritage, etc., of D. As a parade participant, you entertain the crowds; you do not conduct any activities designed specifically to educate the public. Therefore, you do not further educational purposes under IRC Section 501(c)(3).

You are dissimilar to the organization granted exemption in Rev. Rul. 67-216. Unlike this organization that operated a hospitality-type community center and provided through it an environment to foster cultural awareness and a better understanding and appreciation of international customs, you do not provide such an environment. You may participate in a larger event with programming that may accomplish exempt purposes, but you do not, through your participation, provide that environment to accomplish those purposes. You also do not conduct any activities defined as charitable under IRC Section 501(c)(3) or any educational programming to promote cultural awareness and understanding of D; therefore, you are precluded from exemption.

You are also dissimilar to the organization granted exemption in Rev. Rul. 67-216. While you also conduct activities that entertain the public, your entertainment is primary and not incidental to your overall purpose. In this ruling, the presence of recreational features at the fair were incidental to its educational purpose. Your purpose, to enjoy the season of D, is carried out by operating a bus that plays music and gives out free items to parade crowds. This is substantial and primarily designed for social engagement and enjoyment; therefore, you do not further educational purposes under IRC Section 501(c)(3).

Conversely, you are similar to the organization denied exemption in Rev. Rul. 77-366, as you conduct substantial social and recreational activities compared to any exempt purposes you may further under IRC Section 501(c)(3). Like this organization, your social and recreational activities are primary and substantial, even if you may, incidentally, further charitable or educational purposes. For instance, crowds may be exposed to D heritage through your music; this, however, is incidental, as your primary purpose is to entertain the crowds with the traditions of D, not educate them on the history, heritage, arts, and customs of D. As stated in Treas. Reg. Section 1.501(c)(3)-1(c)(1), your activities must primarily, not incidentally, further exempt purposes. Therefore, you are not exempt under Section 501(c)(3).

As stated in Better Business Bureau, the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption under IRC Section 501(c)(3). Your activities in D parades are substantial and further a recreational, nonexempt purpose, even if your activities incidentally further exempt purposes.

Like the organization denied exemption in Spanish American Cultural Association of Bergenfield, you do not meet the requirements of IRC Section 501(c)(3), because more than an insubstantial part of your activities is not in furtherance of an exempt purpose. Similar to how your activities are conducted to bring the community together, this organization also provided residents with a sense of community; however, this organization, like you, conducted substantial social and recreational activities that did not further an exempt purpose under Section 501(c)(3). Again, the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption under Section 501(c)(3), as stated in Better Business Bureau.

You are similar to the organization described in St. Louis Science Fiction, Ltd. While you may be celebrating and bringing attention to the culture surrounding D, your substantial recreational and social activities concerning the parade supersedes any incidental exempt purpose under IRC Section 501(c)(3) and precludes exemption per Better Business Bureau. Accordingly, you are not operated exclusively for one or more exempt purposes per Treas. Reg. Section 1.501(c)(3)-1 (c)(1) and are precluded from exemption.

Conclusion

To be described in IRC Section 501(c)(3), your activities must exclusively further those exempt purposes. Based on the information in your application and the additional information provided to us, you fail the operational test because your activities serve substantial recreational purposes. You also fail the organizational test because your stated purpose is not in furtherance of an exempt purpose, and you have not exclusively dedicated your assets for Section 501(c)(3) purposes. Accordingly, 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