



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

Date:
04/10/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202627017
Release Date: 7/2/26
UIL Code: 501.05-00

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)(5). 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.

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:
02/23/2026

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = State

C = Date

D = Entity

E = Animal

F = Animal

G = Number

x dollars = Dollars

y percent = Percent Range

z percent = Percent

UIL:

501.05-00

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)(5). 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)(5)? No, for the reasons stated below.

Facts

You were formed as an unincorporated association under the state law of B on C. Your Bylaws state that you are a regional organization of D. You state that you are an extension of D and your formation is not intended and should not be construed as an independent organization. Your purpose is to aid in furthering and improving the breed of E.

Your Bylaws further state that you:

- Sponsor exhibitions of E in livestock shows and fairs;
- Disseminate general information concerning E in ranching industry publications;
- Assist D in coordinating educational field days and seminars;
- Periodically assist members in the sale of E;
- Assist in communicating the standard of excellence for the E breed set forth by D;

- Engage in other activities of a local nature that do not conflict with D, its bylaws, and the regulations of its Board of Directors.

Membership is open to all members of D, and includes Charter, Lifetime, Active, International, Associate, Junior, and Honorary membership. Charter, lifetime, and Active Members must be owners of D certified E at the time of joining. These members will sign a D name franchise, animal I.D. prefix and holding brand contract, and other applications and forms. International members must be E owners who live in foreign countries. Associate members are elected by your Board of Directors and are reputable individuals, corporations or firms who do not own E, but are interested in the E breed. Junior members are those under the age of 21. Dues are set at x dollars annually.

You state that education is at the forefront of your mission. You accomplish this through sponsorship of livestock shows where E are featured. You also provide education through various media platforms, including ranching publications and journals, and seminars. You also hold periodical field days and educational seminars to continue the development of great F. You state that these activities are conducted as needed and you dedicate y percent of your total time and resources to these educational activities.

Your website states that there is increased national demand for E, and your goal is to promote high performing F. You achieve this feat through sales, with many of the F promoted fetching high premiums at your various auctions throughout the year. You hold G yearly sales events where all current members can market and sell their E. These events are held at livestock shows and other locations coinciding with regional F events. You collect z percent of the consignment sales proceeds to cover the expenses of putting on the sale. You hire a sale manager and an auctioneer to conduct and manage the sale.

You did not list any income from gross receipts related to your exempt purpose. The majority of your income is described as gifts, grants, and contributions received. You also receive membership fees, and gross investment income. Your expenses include fundraising expenses, advertising, professional fees, insurance, and occupancy.

Law

IRC Section 501(c)(5) provides for exemption of labor, agricultural, or horticultural organizations.

Section 501(g) states that for the purposes of IRC Section 501(c)(5), agricultural refers to the art or science of cultivating land, harvesting crops or aquatic resources, or raising livestock.

Treasury Regulation Section 1.501(c)(5)-1 provides that the organizations contemplated by IRC Section 501(c)(5) are those which (1) have no net earnings inuring to the benefit of any member, and (2) have as their object the betterment of the conditions of persons engaged in the pursuits of labor, agriculture, or horticulture, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

Revenue Ruling 66-105, 1966-1 C.B. 145, held that an organization composed of agricultural producers whose principal activity is marketing livestock as an agent for its members does not qualify for exemption. The sale of members' products with the return to them of the sale proceeds is neither an object nor an activity within the ambit of Section 501(c)(5) of the Code. Therefore, the organization does not meet the requirements of Treas. Reg. Section 1.501(c)(5)-1 and is not exempt under Section 501(c)(5).

Rev. Rul. 74-195, 1974-1 C.B. 135, held that a nonprofit organization formed to manage, graze, and sell its members' cattle did not of itself better the conditions of those engaged in agricultural pursuits, improve the grade of their products, or develop a higher degree of efficiency in their operations within the meaning of IRC Section 501(c)(5). The principal purpose of the organization was to provide a direct business service for its members' economic benefit. The organization was denied exemption under Section 501(c)(5).

Rev. Rul. 77-153, 1977-1 C.B. 147, held that a nonprofit organization that owns and operates a livestock facility and leases it to local members of a nonexempt national association of farmers for use in implementing the association's collective bargaining program with processors does not qualify for exemption as an agricultural organization.

Application of law

You do not meet the requirements to be exempt under IRC Section 501(c)(5) as described in Treas. Reg. Section 1.501(c)(5)-1 because your activities are not aimed at the overall betterment of conditions of persons engaged in agriculture as defined in Section 501(g), the improvement of the grade of their products, or the development of a higher degree of efficiency in their respective occupations. While a small fraction of your time is spent educating and promoting the E breed, while the large majority of your time is spent acting as a sales agent for your members. You are providing, for a fee, a location, as well as related advertising, for members to sell their E. An organization whose principal activity is the provision of a business service for its members is precluded from exemption under Section 501(c)(5).

You are similar to the organization in Rev. Rul. 66-105 because your primary purpose is to conduct consignment sales for your members. The sale of your members E with the return to them of the sale proceeds, less expenses, is neither an object nor an activity within the ambit of IRC Section 501(c)(5).

Like the organization in Rev. Rul. 74-195, you are not bettering the conditions of those engaged in agricultural pursuits, improving the grade of their products, or developing a higher degree of efficiency in their operations. Although you conduct minor educational activities, your primary purpose is facilitating the sale of your members' F, which provides a direct business service for your members' economic benefit, and precludes exemption under IRC Section 501(c)(5).

You are like the organization described in Rev. Rul. 77-153. Your principal activity is to help market and sell your members' cattle, which provides a business service to your members. Providing this service merely relieves your members of work they would either have to perform themselves or have performed for them and does not serve the exempt purpose of an IRC Section 501(c)(5) agricultural organization.

Conclusion

You do not meet the requirements for exemption under IRC Section 501(c)(5) because you were not formed to better the conditions of persons engaged in the pursuits of labor, agriculture, or horticulture, to improve the grade of their products, or to develop a higher degree of efficiency in their respective occupations. Rather, you were formed to provide a direct business service for your members' economic benefit.

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