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

Date:
05/05/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202631014
Release Date: 7/31/26
UIL Code: 501.03-30, 501.33-00

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
Redacted Letter 4038

Department of the Treasury
Internal Revenue Service
IRS

Date:
03/16/2026
Employer ID number:

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

UIL:

501.03-30
501.33-00

Legend:
B = Date
C = Date
D = State
E = City
w dollars = Amount
x dollars = Amount
y dollars = Amount
z dollars = Amount

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 were previously exempt under IRC Section 501(c)(6). Your exemption was automatically revoked on B, and you are now seeking exemption under IRC Section 501(c)(3) because your activities are all community driven. Exemption under Section 501(c)(3) would allow you to seek larger donations from your supporters which would then allow you to put on larger events and attract more visitors to the E area.

You incorporated in the state of D on C. Your Articles of Incorporation state that the purposes for which you were formed are:

- To advance all of the business, professional, civic and cultural interests of the city
- To encourage the growth of existing business activities while giving all proper assistance to any new firms or individuals seeking to locate in E
- To support activities beneficial to the community and citizens and to oppose those which might be detrimental

- To speak for the association's members in city, state, and national legislative and governmental matters, but avoid partisan politics
- To help develop the fruitfulness of the surrounding agricultural territory
- To cultivate the friendship of neighboring communities
- To promote the welfare of all E citizens

You amended your Articles of Incorporation to state that you were formed exclusively for charitable, religious, educational and scientific purposes under Section 501(c)(3) of the Internal Revenue Code. The amendment also states that your purpose is to promote the welfare of all E citizens and neighboring communities. Additionally, the amendment states that your purpose also includes those stated above from your original Articles of Incorporation.

You have monthly community events which are conducted by volunteers and are held at various locations throughout E. The events run for 2-3 hours and are funded by donations and membership fees. The events include the following:

- Easter Egg Hunt – You buy and fill eggs for the event once a year at the city park in E for participants ages 1-8.
- St. Patrick's Day Run – This event is to help businesses get people in their doors. You get different businesses to make soup and have a game. Teams sign up at go to each business to play the game and try the soup. There is a drawing at the end of the night. The event is for all ages. It's free for children 12 and under and x dollars for ages 13 and above.
- Summer Fun Days – You have a weekend event for all ages with activities that include bingo, a pickleball tournament, a softball tournament, inflatable bounce houses, food trucks, a duck race and live music. There are fees for several of the activities.
- Day – You provide a free meal with live music from the school. You also have a vendor show and bingo. The vendor show is z dollars per table and bingo cards are w dollars.
- Wine Walk – This event is to help get people into businesses. You supply the wine and people go to each business to try wine and shop. The fee is y dollars per person and there is a drawing at the end of the night.
- Santa Days – You get businesses to donate toys for kids. A volunteer dresses up as Santa for the kids to visit and take pictures with. There is also a bouncy house and vendor show. Vendors pay z dollars for a table.

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 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 1.50l(c)(3)-l(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization limit its purposes to one or more exempt purposes and do not expressly empower it to engage, otherwise than as an insubstantial part, in activities which in themselves are not in furtherance of 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 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 1.50.1(c)(3)-l(d)(1)(ii) states that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest. The organization must establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

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. 76-152, 1976-1 C.B. 152, held that an organization formed by art patrons to promote community understanding of modern art trends did not qualify for exemption under section 50l(c)(3). The organization exhibited and sold the artwork of local artists who received 90 percent of sales proceeds. This provision of direct benefits served the private interests of the artists and could not be dismissed as being merely incidental to its other purposes and activities. Therefore, the organization was not operated exclusively for educational purposes.

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 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.

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, T.C. Memo. 1985-162 (1985), 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 in nature.

Application of law
IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests for an organization to qualify for exempt status. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). You do not meet the organizational test under Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) because your Articles of Incorporation do not limit your purposes to one or more exempt purposes. They also expressly empower you to engage in activities which are not in furtherance of one or more exempt purposes such as promoting the welfare of all E citizens and neighboring communities as well as encouraging the growth of existing business activities while giving assistance to any new firms or individuals seeking to locate in E.

You are not operated exclusively for exempt purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). Specifically, you devote substantial part of your time and resources to social and recreational activities. You are similar to the organization in Rev. Rul. 77-366 as well as the organizations in St. Louis Science Fiction Limited v. Commissioner and Minnesota Kingsmen Chess Association Inc v. Commissioner. A substantial part of your activities are social and recreational events for the benefit, pleasure, and recreation of the public and are not charitable and educational like the organization in Rev. Rul. 65-271. As provided for in Better Business Bureau, this substantial, non-exempt purpose precludes exemption under IRC Section 501(c)(3).

Additionally, as stated in Treas. Reg. Section 1.50.1(c)(3)-l(d)(1)(ii), you are not operated exclusively for exempt purposes because your St. Patrick's Day Run and Wine Walk activities serve a private interest rather than a public interest. These events are intended to help get people into businesses. Like the organization in Rev. Rul. 77-111, these activities result in benefit to those businesses rather than to exclusively accomplish 501(c)(3) purposes. Just like the artists in Rev. Rul. 76-152 who directly benefited by the exhibition and sale of their works, the businesses participating in the run and walk are directly benefiting by gaining additional foot traffic which may result in additional sales.

Conclusion
Based on the information provided, you do not meet the requirements for exemption under IRC Section 501(c)(3) because you are not organized and operated exclusively for exempt purposes. A substantial portion of your activities have social and/or recreational purposes and also serve the private interests of area businesses. 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:	Street address for delivery service:
Internal Revenue Service EO Determinations Quality Assurance Mail Stop 6403 PO Box 2508 Cincinnati, OH 45201	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