



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

Date:
06/29/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202639006

Release Date: 9/25/26

UIL Code: 501.03-00, 501.03-05, 501.33-00, 501.36-01

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:

05/06/2026

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = State

C = Date

D = Number

E = Number

v percent = percentage

w percent = percentage

y dollars = dollar amount

z dollars = dollar amount

UIL:

501.03-00

501.03-05

501.33-00

501.36-01

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 incorporated in the State of B on C. Your primary activity is the operation of a bi-weekly farmers market that provides local farmers and small-scale food producers with an opportunity to sell fresh produce, dairy, meats, baked goods, and artisan foods directly to the public. You dedicate v percent of your time to the operation of your farmers market, which you state helps small farmers thrive by giving them a low-cost sales platform. Your farmers market is managed by your board members, volunteers, and vendors participating as independent sellers.

Your farmers market incorporates community outreach, nutrition education, and food access programs to benefit low-income and underserved populations. You state your farmers market promotes health, local economic development, and food security by increasing access to fresh, healthy foods, supporting sustainable agriculture, and educating the public on nutrition and local food systems. You accept SNAP/EBT payments and also participate in the Double Dollars and Senior Farmers Market Nutrition program. You partner with local nonprofits, public health organizations, and nutritionists who conduct workshops and provide food assistance

Letter 4034 (Rev. 01-2021)

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guidance. These programs operate at your farmers market. You also conduct outreach activities at community centers, schools, and local food banks, and provide educational materials and online workshops. These food assistance and educational activities account for w percent of your time.

Each season, you typically have up to D vendors who register to participate. On a typical market day, you have approximately E active vendors. You select vendors based on their ability to comply with your rules and policies, and operate in accordance to B food safety laws and farmers market regulations. All produce must be grown by the vendor themselves and resale of commercially purchased goods is not permitted.

Vendors are required to pay a participation fee to operate at your farmers market. Your fee structure is y dollars for a full season or z dollars for single-day participation. If a vendor participates on multiple single-day occasions, they are never charged more than y dollars for the season. You state your fees are intentionally kept below the average market rate. Besides vendor fees, you are funded by grants and sponsorships.

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(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)(1)(ii) provides that an organization is not organized or operated exclusively for one or more exempt purposes described in IRC Section 501(c)(3) unless it serves a public rather than a private interest. Thus, it is necessary for an organization to 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.

Treas. Reg. Section 1.501(c)(3)-1(d)(2) provides the term "charitable" is used in IRC Section 501(c)(3) in its generally accepted legal sense and includes relieving the poor and distressed or the underprivileged, lessening of the burdens of Government, combating community deterioration, lessening neighborhood tensions, and eliminating prejudice and discrimination.

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 the individual for the purpose of improving or developing his/her capabilities or the instruction of the public on subjects useful to the individual and beneficial to the community.

Revenue Ruling 67-216 , 1967-2 C.B. 180 established that 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 may be exempt from tax under IRC Section 501(c)(3) . The principal activities and exhibits of the fair were educational. They were planned and managed by persons whose business it was to inform the public and farmers about the resources of the region, and the methods by which they may be conserved, utilized, and improved

Rev. Rul 67-367, 1967-2 C.B. 188, held that a nonprofit organization whose sole activity was the operation of a scholarship plan for making payments to pre-selected, specifically named individuals did not qualify for exemption from Federal income tax under IRC Section 501(c)(3).

Rev. Rul 69-175, 1969-1 C.B. 149, described an organization created to provide bus transportation for school children to a tax-exempt private school. The organization was formed by the parents of pupils attending the school. The organization provided transportation to and from the school for those children whose parents belonged to the organization. Parents were required to pay an initial family fee and an additional annual charge for each child. The Service determined that "when a group of individuals associate to provide a cooperative service for themselves, they are serving a private interest."

Rev. Rul. 73-127, 1973-1 C.B. 221, described a nonprofit organization formed to operate a cut-rate retail grocery store in a poverty area, to provide free grocery delivery service to residents who needed it, to participate in the federal food stamp program, and to provide job training for unemployed residents. The store was operated by a staff of employees who were experienced in the retail food industry. The store had a smaller markup than competing stores but otherwise was operated in a manner similar to for profit businesses in the area. The organization's purpose of providing job training for the hard-core unemployed was charitable and educational within the meaning of the common law concept of charity, IRC Section 501(c)(3). However, the organization's purpose of operating a retail grocery store where food was sold to residents of a poverty area at low prices was not recognized as a charitable purpose under the basic common law concept of charity and within the meaning of Section 501(c)(3). Furthermore, the training program was conducted on a scale larger than was reasonably necessary for the performance of the organization's training program and was not intended to, nor did it in fact, serve solely as a vehicle for carrying out the training program of the organization.

Rev. Rul. 73-128, 1973-1 C.B. 222, held that an organization formed to provide educational and vocational training and guidance for nonskilled persons who were unable to find employment or cannot advance from poorly paid employment due to inadequate education qualified for IRC Section 501(c)(3). The organization's job training program centered around the manufacture and sale of a line of toy products. The facts clearly supported the conclusion that the manufacturing and merchandising operation was the means of accomplishing the organization's declared charitable objectives. Furthermore, there was no evidence that the scale of the endeavor was such as to suggest that it was being conducted on a larger scale than was reasonably necessary to accomplish the organization's charitable purpose.

Rev. Rul 75-286, 1975-2 C.B. 210, held that a nonprofit organization with membership limited to the residents and business operators within a city block and formed to preserve and beautify the public areas in the block, thereby benefiting the community as a whole as well as enhancing the members' property rights, will not qualify

for exemption under IRC Section 501(c)(3) because the organization was organized and operated for the benefit of private interests by enhancing the value of members' property.

In Better Business Bureau of Washington, D.C., Inc., 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.

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 qualification of exempt status. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). Furthermore, Treas. Reg. Section 1.501(c)(3)-1(c)(1) states that to be operated exclusively for one or more exempt purposes, an organization must engage primarily in activities that accomplish one or more exempt purposes specified in Section 501(c)(3).

Your primary purpose of operating a farmers market substantially furthers the private interests of your vendors who could also be defined as your members.

You are like Rev. Rul. 67-367, Rev. Rul. 69-175, and Rev. 75-286 that share a similar fact pattern:

- A limited membership,
- Dues paid for membership, and
- Benefits provided to the members.

Given those facts, each of the rulings held the organization served private interests rather than the public interest. You share the same fact pattern of a limited membership, dues paid for membership, and benefits provided to members, and you serve the private interest of your members rather than the public interest. You, therefore, fail the operational test and do not qualify for exemption as an organization described under IRC Section 501(c)(3). See Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

You are not like the organization described in Rev. Rul. 67-216 because although portions of your activities are considered educational under Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i), such as educating the public on nutrition and local food systems and providing educational materials and online workshops, your primary activity is not educational, rather, it is to facilitate a farmers market for product sales.

You are like organization described in Rev. Rul. 73-127, that was denied exemption under IRC Section 501(c)(3), because the purpose of operating a farmers market where food is sold to residents of a poverty area at low prices is not recognized as a charitable purpose under the basic common law concept of charity within the meaning of Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(d)(2). Furthermore, your operations are conducted on a scale larger than is reasonably necessary for the performance of your educational and charitable purposes.

You are not like organization described in Rev. Rul. 73-128 (contrast this Rev. Rul. with Rev. Rul. 73-127), that was granted exemption under IRC Section 501(c)(3), because the operation of your farmers market is not the

means of exclusively accomplishing any charitable objectives and your operations are being conducted on a larger scale than is reasonably necessary to accomplish your educational and charitable purposes.

You are like the organization described in Better Business Bureau of Washington, D.C., Inc. because although you do have educational and charitable purposes, your primary purpose of operating a farmers market and substantially furthering the private interests of your vendors are not tax-exempt purposes. 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.

Conclusion

You fail the operational test because you have failed to establish that you are operated exclusively for exempt purposes. Your substantial purposes are operating a farmers market and substantially furthering the private interests of your vendors. Although you carry out a number of charitable and educational activities, these are incidental to your primary purpose. Therefore, you do not qualify for IRC 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