



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 450201

Date:
05/21/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202533011
Release Date: 8/15/2025
UIL Code: 501.00-00, 501.03-00, 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
PO Box 2508
Cincinnati, OH 45201

Date:
04/01/2025
Employer ID number:

Person to contact:

Name:
ID number:
Telephone:
Fax:

Legend:

B = State
C = Date
D = City
e dollars = Amount
f percent = Percent
g percent = Percent

UIL:

501.00-00
501.03-00
501.33-00

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)(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 attest that you were incorporated on C in the state of B. You attest that you have the necessary organizing document, that your organizing document limits your purposes to one or more exempt purposes within the meaning of 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 IRC Section 501(c)(3).

You attest that you are organized and operated exclusively to further charitable purposes. You attest that you have not conducted and will not conduct prohibited activities under IRC Section 501(c)(3). Specifically, you attest 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

On Form 1023-EZ you described your mission or most significant activities as “development of community resources/bathrooms.” We asked for more information regarding your activities. You are a membership organization for businesses in the community. You said you coordinate community events to promote and help businesses in the area gain more foot traffic and highlight the town as a fun place to visit. You will form committees to help organize events and structure them so that all resources (public restrooms, signage, advertising, and proper safety protocols) are available. Promoting businesses includes networking and coordinating marketing efforts for the community. You do this through social media and by hanging a banner at the entrance of town. Approximately f percent of your time and resources will be spent on promoting businesses.

You will help local businesses by working with the county to have one public bathroom open regularly during business hours. In addition, you will work with the county to add public trash cans throughout your community so that it is clean, and trash is disposed of properly. You will advocate for small businesses with local governments or organizations. Approximately g percent of your time and resources will be spent on helping the business community through these activities.

You will hold community events which are designed to create a vibrant and welcoming atmosphere in the heart of the town. The events will be a place where residents and visitors enjoy an array of activities, explore the local businesses, and connect with one another. All the businesses in the town will be open late, vendors will set up booths, and there will be entertainment to create a festive, walkable experience.

You will offer craft and food vendor space for a fee during community events. Vendors must complete an application to participate. The only limitation on vendors is that if you have two vendors selling similar items you won't place them near each other. Proceeds from vendor fees will go back into the event to keep growing. You said that entertainment is your main priority as that draws the crowds. You will use signage in your town to highlight your sponsors and advertise your upcoming events. Events will occur in D and activities will take place times per year.

You also hold community cleanups and beautification projects. This will include organizing the cleanup events, planting flowers, enhancing public spaces, and fostering a welcoming environment. Approximately g percent of your time and resources will be spent on community cleanups and beautification projects.

You hold quarterly meetings with members to address business community concerns and strengthen relationships with county and state agencies.

Your membership fees will be e dollars per year. There are three tiers of membership fees. Your fees are similar to a “sponsorship level” arrangement – the more the member pays, the more benefits they’ll receive. The member can decide what level of membership they would like to be. You didn’t provide details regarding the benefits received for different level of memberships. Businesses in the community will not be required to be a member to receive services. Two out of the four board members currently are business owners, and they will have same fees and application process.

Your revenues are from membership fees, vendor booth fees, and donations. Your expenses are for permits, marketing and advertising, insurance, supplies for clean-ups and beautification projects, and honorariums for speakers. You will also have administrative costs, such as office supplies, website maintenance, etc.

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 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 and operated exclusively for charitable purposes unless it serves a public rather than a private interest.

Revenue Ruling 75-286, 1975-2 C.B 210, held that an organization formed by the residents of a city block to beautify and preserve that block did not qualify for exemption under IRC Section 501(c)(3). The restricted nature of the organization's membership and the limited area in which its improvements were made indicated that the organization was organized and operated to serve private interests by enhancing the value of its members' property rights.

Rev. Rul. 77-111, 1977-1 C.B. 144, held that two organizations formed to promote economic development in deteriorated areas did not qualify for exemption under IRC Section 501(c)(3). In situation 1, the organization was formed to increase local business patronage in a deteriorated area mainly inhabited by minority groups. In situation 2, the organization's purpose was to revive retail sales in an area suffering from economic decline. The Service held that although the organizations' activities may achieve purposes described in Section 501(c)(3), neither qualify for exemption under Section 501(c)(3), because their programs did not limit the financial aid to a blighted area and to a charitable class.

Rev. Rul. 78-85, 1978-1 C.B. 150, held that an organization formed to preserve, beautify and maintain a public park located in the center of the city may 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.

Application of law

IRC Section 501(c)(3) sets forth two main tests for qualification for exempt status. As stated in Treas. Reg. 1.501(c)(3)-1(a)(1), an organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). You do not meet the operational test under Section 501(c)(3).

You fail the operational test under IRC Section 501(c)(3) because you are not operating exclusively for exempt purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). Your primary activities consist of promoting the local businesses of your members, which furthers a substantial nonexempt purpose.

You are not operated exclusively for exempt purposes under Treas. Reg. Sec. 1.501(c)(3)-1(d)(1)(ii) because a substantial portion of your activities are directed primarily at the promotion of business and thus furthering the common business purposes of your members. Like the organization described in Rev. Rul. 75-286, your activities serve to benefit the private interests of your members rather than the public.

You did not describe the town where you operate as deteriorated or blighted, but even if it were, because you spend the majority of your time and funds on promoting local businesses, you are like the organization in Rev. Rul. 77-111, which did not qualify for exemption.

While you do conduct some charitable activities, such as community clean ups and beautification projects, you are dissimilar to the organization described in Rev. Rul. 78-85 because that is not your primary purpose. You only anticipate spending g percent of your time and resources on these types of activities. Because most of your activities further the substantial non-exempt purpose of promoting the businesses of your members, you are similar to the organization in Better Business Bureau of Washington, D.C., Inc., which did not qualify for exemption under Section 501(c)(3).

Conclusion

Based on the above facts and analysis, you do not qualify for exemption under IRC Section 501(c)(3) because you are not operated exclusively for exempt purposes within the meaning of Section 501(c)(3). You have the substantial non-exempt purpose of advancing the common business interests of your members, which furthers private interests. 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