



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 45201

Date:
05/30/2025
Employer ID number:

Form you must file:
1120

Tax years:
All

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202534006
Release Date: 8/22/2025
UIL Code: 501.03-00, 501.33-00, 501.35-00

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:
4/14/2025
Employer ID number:

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

Legend:

B = Date
C = State
D = Town
E = Entity
f dollars = Dollar
g dollars = Dollar
h dollars = Dollar
j dollars = Dollar

UIL:
501.03-00
501.33-00
501.35-00

Dear Applicant:

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 B, in the state of C. 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

Your purpose according to your bylaws is to operate a weekly farmers market in D for the purpose of assisting small businesses, farmers, making local sources of food accessible to all, and continually educating and promoting healthy living within the community.

You host a weekly farmers market for thirty vendors every Saturday morning. Vendors participate by selling products such as vegetables, breads, prepared foods, dog treats, meats, and dairy products. The people who shop participate in the market by buying products from the vendors.

The market participates in both SNAP and WIC. These programs are offered to families at every market, and you have a SNAP matching program so families can get the most out of their SNAP benefits. Additionally, three hours per month is spent on administrative duties related to these programs that include completing paperwork, reimbursing vendors, and outreach services.

The activities are conducted on two blocks of downtown D. Streets are closed every Saturday morning to allow vendors to set up, sell, and pack up. Vendors are charged f dollars for every market attended from April to the end of December. From January through March, vendors are charged g dollars for every market attended. The fees are based on the vendors sales and average income on the county. You are primarily funded by these vendor fees. Your primary expenses include h dollars to the market manager, j dollars to the SNAP matching program, and then you also have advertising expense, pay town fees, purchase promotional items, and hold customer giveaways.

Vendors who wish to sell their products complete an application for every year they participate. Applications are reviewed by your board members and your market manager notifies applicants if they are approved to sell at the market. If board members are vendors, they are required to pay the same fees and apply to participate in the market the same as the other vendors.

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 exempt purposes unless it serves a public rather than a private interest and specifically 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. To meet this requirement, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests.

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, or to combat community deterioration. The term "charitable" also includes lessening of the burdens of government.

Rev. Rul. 68-167, 1968-1 C.B. 255, held that a nonprofit organization created to market the cooking and needlework of needy women may be exempt from tax under section 501(c)(3) of the Code. The organization operated a market where it sold the cooking and needlework of these women who were not otherwise able to support themselves and their families. The organization provided a necessary service for needy women by giving them a market for their products and a source of income.

Rev. Rul. 73-127, 1973-1 C.B. 221, held providing job training for hard-core unemployed furthers charitable purposes and held operating a retail grocery store in an area of poverty is not recognized as furthering a charitable purpose. The ruling also held that, because the scale of the non-exempt was larger than reasonably necessary to carry out the exempt activity, the organization did not qualify for exemption under IRC Section 501(c)(3).

Rev. Rul. 73-128, 1973-1 C.B. 222, held that providing vocational training for unskilled and under-employed further charitable purposes and held that the sale of commercial items as an end does not further charitable purposes. The ruling also held that with a causal relationship between the non-exempt activity scaled reasonably necessary to accomplish the exempt purpose, the organization qualifies for exemption under IRC Section 501(c)(3).

Rev. Rul. 77-111, 1977-1 C.B. 144, held 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 didn't qualify for exemption under IRC Section 501(c)(3). Similarly, an organization whose purpose was to revive retail sales in an area of economic decline by constructing a shopping center didn't qualify for exemption. Their overall thrust was to promote business rather than to accomplish exclusively Section 501(c)(3) objectives. The organization did not limit its aid to businesses that were owned by members of a minority group or to businesses that would only locate within the area because of the existence of the center.

Rev. Rul. 2006-27, 2006-1 C.B. 915, Situation 2, held that an organization did not qualify under IRC Section 501(c)(3). To finance its down payment assistance activities, it relied on sellers and other real estate related businesses that stood to benefit from the transactions it facilitated. The organization's reliance on these payments for most of its funding indicated that the benefit to the home seller is a critical aspect of its operations. The business purpose of the organization was its primary goal and overshadowed any education or charitable purposes.

In Better Business Bureau of Washington, D.C. v. United States, 326 U.S. 279 (1945), the Supreme Court determined that the presence of a single non-exempt purpose, if substantial in nature, will destroy exemption under IRC Section 501(c)(3) regardless of the number or importance of any other exempt purposes.

In American Campaign Academy v. C.I.R., 92 T.C. 1053 (1989), the court held that an organization that operated a school to train individuals for careers as political campaign professionals, but that could not establish that it operated on a nonpartisan basis, did not exclusively serve purposes described in IRC Section 501(c)(3) because it also served private interests more than incidentally. Although the candidates and entities benefited were not organization "insiders," the court stated that the conferral of benefits on disinterested persons who are not members of a charitable class may cause an organization to serve a private interest. The court concluded that the organization would bear the burden of proving that its activities benefited members of a charitable class in a non-select manner.

Application of law

You are not described in Section 501(c)(3) of the Code as described in Treas. Reg. Section 1.501(c)(3)-1(a)(1) because you fail the operational test. Specifically, you are operated for the purpose of facilitating sales for the benefit of vendors at your farmers' market. Therefore, you do not operate exclusively for exempt purposes as described in Treas. Reg. Section 1.501(c)(3)-1(c)(1).

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) requires an organization show that it is not organized or operated for private interests. Although you may conduct some charitable activities at the market, more than an insubstantial part of your activities is in furtherance of the non-exempt purpose of being a profitable outlet for your vendors to increase their sales. Your activities provide a substantial private benefit to vendors. Therefore, you do not qualify for exemption under IRC Section 501(c)(3).

Like the organization described in Rev. Rul. 2006-27, Situation 2, you primarily finance your activities by charging your vendors a fee to sell their goods. Your vendors benefit from the transactions you facilitate. Your reliance on these fees for most of your funding indicate that the benefit to your vendors is a critical aspect of your operations.

Like the organization described in American Campaign Academy, you do not exclusively serve purposes described in IRC Section 501(c)(3) because you serve private interests more than incidentally. Although your vendors are not "insiders," you have not shown your activities benefit members of a charitable class in a non-select manner.

You are like the organization described in Rev. Rul. 77-111, Situation 1, in that your overall thrust is to accommodate the sales of your vendors. Although you do provide some charitable benefits to the public through your SNAP match program, your objective is to provide a venue for your vendors to sell their products.

You are not like the organization described in Rev. Rul. 68-167 that was granted exemption under IRC Section 501(c)(3) because it was determined this organization's exclusive purpose was charitable. See Treas. Reg. Section 1.501(c)(3)-1(d)(2). Even though this organization operated a market for vendors to sell merchandise like you, you have not demonstrated your vendors are a charitable class. You have no process to ensure your vendors are part of a charitable class. Accepting SNAP does not make your purpose exclusively charitable.

You are like the non-qualifying organization in Rev. Rul. 73-127 because the scale of your farmers markets sales activity is larger than reasonably necessary to accomplish your charitable activity. And, in contrast, you are not like the qualifying organization in Rev. Rul. 73-128 because the scale of your farmers markets sales activity is larger than reasonably necessary to accomplish your charitable activity.

You are like the organization described in Better Business Bureau. Although you do have some charitable purposes, you have substantial non-exempt purposes of serving the private interests of your vendor. The presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes.

Conclusion

You are not operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3). Your market, while potentially providing some public benefit, was ultimately formed to serve the private interests of your vendors by providing them an opportunity to sell their products. Therefore, you fail to 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