



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

Date:
07/10/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202540013
Release Date: 10/3/2025
UIL Code: 501.03-30, 501.32-00, 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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Letter 437

Letter 4034 - Redacted

Letter 4038 - Redacted

cc:



**Department of the Treasury
Internal Revenue Service**

Date:
05/06/2025
Employer ID number:

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

Legend:

B = State
C = Date
D = City

UIL:
501.03-30
501.32-00
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 were incorporated in the state of B on C. Your main purpose, per your Articles of Incorporation, is "to promote, conduct and manage an annual rodeo" in D. Although you indicated you amended your Articles of Incorporation to include necessary IRC Section 501(c)(3) provisions, we have no evidence of the filing.

You are currently exempt under IRC Section 501(c)(4). You are now seeking exemption under Section 501(c)(3).

You describe your primary activity as facilitating the city of D's annual rodeo. You are responsible for planning, coordinating, and raising funds for the rodeo. After rodeo expenses have been paid, you said the excess funds are used for other community organizations. You state that you will expand your solicitation for funds and provide scholarships. You have not yet developed a scholarship plan.

One of your goals is to build and develop your own community rodeo grounds. In pursuit of this goal, you participate in public fairs, exhibitions, rodeos, parades, and other special 4H and FFA events. These events educate and entertain the public, support local families, and showcase your heritage.

Your community has been impacted by wildfires and floods. You indicated that you are working on a rescue plan, which includes large animal housing. You are hoping to use county property to house large animals in the

event of a disaster. Your board is proposing the multi-use area for the land which would accommodate the rodeo on an annual basis, but also provide the possibility of a public access trail head for equestrian trails, as well as the ability to coordinate with local animal control to facilitate large animal sheltering in the event of an emergency.

Your financial data indicates that the primary source of your revenue is ticket sales from the rodeo events, followed by gifts, grants, and contributions. Most of your expenses are for contract labor, fundraising expenses, rodeo expenses, and occupancy expenses. Other expenses include insurance, lodging, equipment, etc. You have not yet provided any scholarships.

Law

IRC Section 501(c)(3) provides, in part, for the exemption from federal income tax to organizations organized and operated exclusively for charitable, religious, or educational purposes, where no part of the net earnings 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 qualify under IRC Section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either the organizational or operational test, it is not exempt.

Treas. Reg. Section 1.501(c)(3)-1(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) states 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.

In Revenue Ruling 67-139, 1967-1 C.B. 129, Situation 2 describes a club formed by mineralogy and lapidary enthusiasts “to disseminate knowledge of mineralogical and lapidary subjects, to promote their application so the greater pleasure may be derived from these activities, and to promote good fellowship among its members.” To further its purposes, this club held meetings in which its members would “discuss gem and mineral topics and sell, purchase, or exchange rock and mineral specimens.” It was determined that the club was organized and operated primarily for the benefit, pleasure, or recreation of its members. Its activities were only incidentally educational, and as such, the club did not qualify for tax exemption under IRC Section 501(c)(3).

Rev. Rul. 67-216, 1967-2 C.B. 180, states 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 qualified for exemption from federal income tax under IRC Section 501(c)(3). The organization's activities and exhibits are planned and managed by or in collaboration with person whose business it is to inform and instruct farmers and the general public on agricultural matters, and the resulting displays are designed to be instructive. The presence at the fair of recreational features such as midway shows, refreshment stands, and a rodeo are incidental to the fair's overall educational purpose.

Rev. Rul. 77-366, 1977-2 C.B. 192, states that a nonprofit organization that arranges and conducts wintertime ocean cruises during which activities to further religious and educational purposes are provided in addition to extensive social and recreational activities is 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. This plainly means that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number and importance of truly exempt purposes.

Golf Life World Entertainment Golf Championship, Inc. v. United States, 65-1 U.S.T.C. p.9174 (S.D. Calif. 1964), concerned a nonprofit corporation whose only activity was the promotion and conduct of an annual golf tournament, with net proceeds distributed to an exempt charity. The court stated that while it is true that plaintiff is organized to conduct a golf tournament, it seems well settled that an organization need not engage in a functional charitable activity to be organized and operated for charitable purposes within the meaning of Section 501(c)(3) and that such charitable purposes may be accomplished solely by providing funds to other exempt charitable organizations.

In St. Louis Science Fiction Limited v. Commissioner, 49 TCM 1126, 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.

In Spanish American Cultural Association of Bergenfield v. Commissioner, T.C. Memo 1994-510 (1994), an organization was created to foster the cultural heritage of the local Spanish-American residents. Except for the charitable donations and scholarships, the organization primarily engaged in social activities designed to provide Spanish-American residents with a sense of community. They were granted exempt status under IRC Section 501(c)(4), but then applied for exempt status as a charitable organization described in Section 501(c)(3). It was found that they did not qualify under Section 501(c)(3) because their social activities were more than insubstantial in comparison to its charitable activities.

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 be recognized as exempt. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). Based on the information you provided in your application, we conclude that you fail both the organizational and operational tests.

Organizational Test

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, and they expressly empower you to engage in activities which are not in furtherance of one or more exempt purposes.

Operational Test

You do not meet the operational test under Treas. Reg. Section 1.501(c)(3)-1(c)(1) because your primary activity of planning and conducting a rodeo furthers a substantial non-exempt purpose. You are not operated exclusively for charitable and educational purposes under IRC Section 501(c)(3), rather you are operated for the social and recreational purpose of providing entertainment for the community.

You are similar to the organization described in Rev. Rul. 67-139 because your activities do not exclusively further exempt purposes under IRC Section 501(c)(3). Your activities may contain incidental charitable aspects, but the primary purpose for which you are operated is to conduct recreational activities for the benefit, pleasure, and recreation of the community. These substantial nonexempt purposes preclude you from qualifying for exemption under Section 501(c)(3).

Unlike the organizations described in Rev. Rul. 67-216 and Golf Life World Entertainment Golf Championship, Inc., your rodeo activities are not incidental to any charitable or educational purposes. The annual events described in these rulings had recreational features, but the main purpose was educational and charitable. Conversely, any charitable and educational purposes you may have are incidental to your recreational purposes.

You are similar to Rev. Rul. 77-366. You provided no details regarding your future scholarship program or any planned educational activities. You said you may acquire land that could be used to house large animals for the community in the event of a disaster. While these are potentially educational and charitable, your primary purpose is to conduct a rodeo, with a plan to acquire a permanent land for this event. Any other activity you may conduct is incidental to the purpose of planning and conducting a rodeo.

You are similar to the organizations described in Spanish American Cultural Association of Bergenfield and St. Louis Science Fiction Limited, where substantial social and recreational activities precluded exemption under IRC Section 501(c)(3), despite some of their activities incidentally furthering exempt purposes. Although you state that you may provide scholarships and provide land for large animals in the event of a natural disaster, these purposes are incidental to your recreational events.

Your primary activity of planning and conducting a rodeo is not inherently charitable. Rather, the rodeo activity furthers a substantial non-exempt purpose. As explained in Better Business Bureau of Washington, D.C., Inc., a substantial non-exempt purpose precludes exemption under IRC Section 501(c)(3).

Conclusion

Based on the information provided, you do not qualify for exemption as an organization described in IRC Section 501(c)(3) because you are neither organized nor operated exclusively for exempt purposes as set forth in Section 501(c)(3). Your Articles of Incorporation don't limit your purposes to those which are exempt under Section 501(c)(3), causing you to fail the organizational test. You have a substantial non-exempt purpose of conducting rodeo events for your community, which furthers social and recreational activities and precludes you from exemption under Section 501(c)(3).

Your exemption under Section 501(c)(4) remains in effect.

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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements