



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

Date:
08/28/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202547022
Release Date: 11/21/2025
UIL Code: 501.00-00, 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**

Date:
06/27/2025
Employer ID number:

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

Legend:

B = Date
C = State
x dollars = Fee

UIL:

501.00-00
501.03-30
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 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

During review of your Form 1023-EZ, detailed information was requested supplemental to the above attestations.

Your mission is to provide a venue and opportunity for small businesses, including farmers, so that their products and produce can be sold directly to consumers. You subsequently explained that your farmers market is open to the public and all vendors of appropriate age. Vendors pay a fee of x dollars for an opportunity to sell home baked goods, arts, and crafts. Besides conducting weekly activities from June through August you also host one Harvest Market in October. You stated that all your time is spent hosting the farmer's market. You also provide children's activities and local music to improve public/vendor experience.

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 and operated exclusively for exempt purposes unless it serves a public rather than a private interest. To meet this requirement, an 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.

In Revenue Ruling 2006-27, 2006-1 C.B. 915 (2006), Situation 2 describes an organization that provided down payment assistance to low-income home buyers in return of a payment from the home seller. To finance its down payment assistance activities, the organization relied on sellers and other related businesses that stood to benefit from the transactions it facilitated. In addition, in deciding whether to provide assistance to a low-income buyer, the organization's staff knew the identities of the seller and other interested parties and was able to take into account whether the seller or another interested party was willing to make a payment to it for its

services. It was determined that down payment assistance was directly related to the payment received from the home seller and resulted in a direct benefit to the home seller as a critical part of the organization's operations. This organization was ultimately found to not meet the requirements of IRC Section 501(c)(3).

Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), held that the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption regardless of the number or importance of truly exempt purposes.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), the court held that organization formed to operate a school to train individuals was funded by the persons affiliated with a particular political party. Most of the organization's graduates worked in campaigns for the party's candidates. It was concluded that even though candidates and entities benefitted were not considered insiders to the organization, conferral of benefits on disinterested persons who are not members of a charitable class may cause an organization to indirectly serve a private interest within the meaning of Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

Application of law

You are not operated exclusively for exempt purposes under IRC Section 501(c)(3). You fail the operational test under Treasury Regulation Section 1.501(c)(3)-1(a)(1). You are not operating "exclusively" for exempt purposes as required by Treas. Reg. Section 1.501(c)(3)-1(c)(1). Specifically, you are operating a farmers' market which furthers a substantial non-exempt purpose. You provide a direct and indirect benefit to your vendors by facilitating sales of their products at your market. This serves a substantial private interest contrary to Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

You are like the organization described in Rev. Rul. 2006-27. The organization described in Situation 2 of this ruling did not receive exemption under IRC Section 501(c)(3). Your organization and operation of a farmers market provides a direct benefit to the vendors who participate in the market. Quoting from this ruling, "the payments do not proceed from detached and disinterested generosity, but rather are in response to an anticipated economic benefit, namely facilitating the sale of a seller's home." The payments you receive from the vendors are in direct relation to an expected and anticipated economic benefit for the vendors for their participation in the market. Therefore, you are providing a direct benefit to the vendors and are substantially formed to serve the private interests of these vendors and not formed for a public interest.

You are also like the organization described in American Campaign Academy. This organization did not receive exemption under IRC Section 501(c)(3) because it was found not to exclusively serve purposes described in this section because it served private interests more than incidentally. While you state that your exempt purpose is charitable, you spend all of your time on the operation of the market, and there is no indication the vendors who participate in your farmers market may not be considered "insiders" to you, the analysis in this case stated that any secondary benefits that advance a substantial purpose cannot be construed as incidental to an organization's exempt purpose. So even though you are formed to operate the farmers market, any secondary benefit to the vendors cannot be ignored. Therefore, by operating in the manner provided, you are indirectly serving the private interests of the vendors who participate in your market activities for a fee.

You are like the organization in Better Business Bureau. While your activities may provide some benefit to the community, you are ultimately furthering a substantial non-exempt purpose of serving private interests that will destroy exemption regardless of the number and importance of any truly exempt purposes.

Conclusion

Based on the facts and circumstances provided, you fail the operational test because you, both directly and indirectly, are operated to serve the private interests of vendors of your farmers market by facilitating sales of their products for a fee. Therefore, you are operating for a substantial nonexempt purpose and are precluded from tax exemption under IRC Section 501(c)(3). Donations to you are not deductible.

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