



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

Date:
07/29/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202550042
Release Date: 12/12/2025
UIL Code: 501.00-00, 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**

Date:

06/13/2025

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date

C = State

d percent = Amount

e percent = Amount

f percent = Amount

UIL:

501.00-00

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 formed as a nonprofit corporation on B in C. In addition to being formed for exclusively for IRC Section 501(c)(3) purposes, your Articles of Incorporation state you were formed to promote engagement with and education about your historic area of C. You will also engage in activities that encourage the growth and development of visitors to rural areas of C in the vicinity of your principal office. You will foster collaborative efforts that educate, foster economic development through projects that design, promote, organize, and fund the cultural attractions in rural C communities.

Your Bylaws state that you are a membership organization. Your membership consists of tiered levels for individuals, nonprofit organizations, small businesses and municipal, corporate, and tourism groups. Each registered entity receives one vote. Membership is focused on a geographical area that is a 30-mile radius from a particular intersection and organizations in towns with smaller populations or unincorporated areas.

In your application you explained that the overall intention of your activities is to increase the number of visitors to each member's site in order to increase the number of educational opportunities and programs you

deliver. You intend to drive visitors to member organizations' websites to draw new visitors and traffic to member destinations. Your activities are to create collective marketing materials including a website to provide advertising for members and to brand your rural area as a tourist destination. You intend to meet with local advertising companies to negotiate advertising purchases. Currently, you spend d percent of your time on membership meetings and d percent on updating current communication tools.

In the future, you anticipate spending d percent of your time on information sharing and planning meetings. These meetings support your mission to first educate each other, which allows you to see opportunities for future collaborations and cross-promotions.

You will spend e percent of your time to create collective marketing materials, such as signage, printed materials, and visual media, in addition to communication tools, such as a website and social media accounts. You will reproduce your media as low-cost or for free at individual sites that will drive traffic to your website, which then directs them to your membership organizations. These activities are done in conjunction with a contracted consultant.

You will spend about f percent of your time seeking new members. As you continually develop the infrastructure of your collective marketing efforts, you are also engaging with potential new members by inviting them to meetings and sharing the benefits of membership.

Another f percent of your time will be spent to procure advertisers for your website. This helps underwrite your basic operating costs, which allows you to reserve funding for larger media purchases such as billboards, television, paid social media, etc.

In the future, you will allocate more time and resources towards larger marketing campaigns as you grow your membership and advertiser base. It will ultimately allow you to grow your individual audiences and visitors, which will allow your members to better fulfill their missions related to art, culture, education, the environment, and recreation.

Your members receive networking and training opportunities via monthly meetings. These meetings allow for opportunities to improve member businesses including information-sharing and networking opportunities. You do not have any programmatic activities of your own. Your goal is to increase the visitors who benefit from education provided by the members' organizations. You will purchase advertising, which you stated will benefit your members who often cannot afford it. You also plan to create maps and day trip planners for visitors to plan trips around the members' organizations offerings and events.

You offer different levels of membership with the fee varying based on the level. Any organization can join for the networking opportunities at no cost. For placement on current and future advertising, members can purchase it at various levels for a monthly fee. You offer various levels to allow organizations of all sizes to benefit from being part of the collective group. For example, one level of membership includes the following benefits: listed in your online directory (with a link to the member's website), event listings, a social media post after the member joins, a spot in your newsletter, and networking events.

Your largest source of revenue is from membership fees. You also receive donations and advertising revenue. Your local tourism board provided you with a startup grant. The majority of your expenses are for advertising purchases, professional fees, and email subscriptions.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for charitable, educational, or other enumerated 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 qualify under 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 or operational test, it is not exempt.

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.

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.

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.

Revenue Ruling 69-632, 1969-2 C.B. 120, describes a nonprofit organization composed of members of a particular industry to develop new and improved uses for existing products of the industry. It was held not to be exempt under IRC Section 501(c)(3) because any public benefit was secondary to the private benefit derived by the organization's members.

Rev. Rul. 71-504, 1971-2 C.B. 231, describes an organization exempt under IRC Section 501(c)(6) that primarily directed its activities to the promotion of the common business purposes of its members. The organization could not be reclassified as an organization described in Section 501(c)(3) because its activities were directed primarily at the promotion of the medical profession and thus furthered the common business purpose of its members.

Rev. Rul. 74-587, 1974-2 C.B. 162, held that an organization which had economic development activities was exempt under IRC Section 501(c)(3). The declared objectives were relief of poverty and combating community deterioration in economically depressed areas through financial assistance, among others. The assistance included technical support and counseling and making loans to low-income businesses unable to obtain funds from conventional sources. The financial aid was limited to a blighted area and to a charitable class.

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.

Better Business Bureau of Washington D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that 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.

Application of law

You are not described in IRC Section 501(c)(3) because you are not operated exclusively for exempt purposes as required by Treas. Reg. Section 1.501(c)(3)-1(a)(1). Most of your activities are directed at promoting your members' businesses to increase foot traffic. Your activities aren't accomplishing one or more exempt purposes as required by Treas. Reg. Section 1.501(c)(3)-1(c)(1).

The promotion of organizations and businesses in C for a fee is not an educational endeavor. Like the organization in Rev. Rul. 71-504, you are promoting the common business purposes of your members. Thus, you are precluded from exemption under IRC Section 501(c)(3).

Your membership is available to anyone (individual, organization, business, etc.) in a 30-mile radius. You didn't indicate that the area was blighted or that your services were limited to a charitable class. You aren't relieving the poor and distressed as defined in Treas. Reg. Section 1.501(c)(3)-1(d)(2). Accordingly, you are like the two organizations described in Rev. Rul. 77-111, which did not qualify for exemption. You are unlike the organization described in Rev. Rul. 74-587, which was considered charitable, because you aren't relieving poverty or combatting community deterioration in a depressed area and the assistance you provide isn't limited to a charitable class.

An organization may meet the requirements of IRC Section 501(c)(3) only if it serves a public, rather than a private, interest. You are not operated exclusively for exempt purposes under Treas. Reg. Sec. 1.501(c)(3)-1(d)(1)(ii) because, like the organization described in Rev. Rul. 69-632, substantially all your activities are directed primarily at the promotion of the common business purposes of your members. As explained by the court in Better Business Bureau of Washington, D.C., Inc., your substantial non-exempt purpose precludes you from qualifying for exemption.

Conclusion

You do not qualify for exemption under IRC Section 501(c)(3) because you are not operated exclusively for exempt purposes. 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