



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

Date:
12/19/2022
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202311007
Release Date: 3/17/2023
UIL: 501.03-30, 501.33-00, 501.36-00

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: 10/24/2022

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

S = Activity One
T = Activity Two
U = Location of Businesses
W = Location of Businesses
X = State of Incorporation
Y = Date of Incorporation
Z = Date Application Submitted

UIL:

501.03-30
501.33-00
501.36-00

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 a 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 Y, in the state of X. 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 the 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 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 Form 1023-EZ application was submitted on Z.

You state on the Form 1023-EZ you will conduct regular activities that promote the interests of businesses and individuals located in W, and to hold, receive and disburse funds, property, and other assets for these purposes. This is also restated in your organizing document as your corporate purpose. You state in your website, W is an evolving industrial market where the general public can meet together to partake in craft wine, beer and spirits provided by local artisans and businesses.

During a review of your Form 1023-EZ, website, and subsequent replies to our requests for additional information, you further indicate you plan to meet your goals by conducting activities such as S and T. Local businesses throughout U and W participate in these events and offer social and recreational opportunities, services and products to, and for, the general public. Types of activities include wine tastings, live music and open house visits with local businesses. Businesses in the area commit to remain open during these times and promote and sell tickets for the events. Your event schedule is posted and advertised on your website.

Your revenue comes from ticket sales to the events conducted at W. Your events are also fundraising opportunities to accept direct solicitations of donations that fund campaigns to promote W on behalf of the businesses located in the area and to continue conducting your various events and activities. Your expenses include covering the cost of your events, advertising to promote W as a destination for tourism, and administrative costs.

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 ("Treas. Reg.") Section 1.501(c)(3)-1(a)(1) provides that, 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(d)(1)(ii) states that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest.

Treas. Reg. Section 1.501(c)(3)-1(d)(2) provides that the term "charitable" is used in IRC Section 501(c)(3) in its generally accepted legal sense and includes, among other things, lessening the burdens of government, relief of the poor and distressed or of the underprivileged, advancement of education or science, erection or maintenance

of public buildings, monuments, or works, and promotion of social welfare by organizations designed to accomplish any of the above purposes, or in part to defend human and civil rights secured by law.

Rev. Rul. 77-111, 1977-1 C.B. 144, discussed two situations where organizations did not qualify for exemption under IRC Section 501(c)(3). The first situation 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 did not qualify for exemption under section 501(c)(3). It was determined that the overall thrust of the organization was to promote business rather than to accomplish objectives within the meaning IRC Section 501(c)(3). In the second situation, an organization whose purpose was to revive retail sales in an area of economic decline by constructing a shopping center does not qualify for exemption. It was found the organization did not limit its aid or activities to businesses that were owned by members of a charitable class or to businesses that would only locate within the area because of the existence of the center. The result was that the businesses directly benefited from the shopping center as opposed to accomplishing exclusively IRC Section 501(c)(3) purposes or any public benefit.

Application of law

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests to qualify for exempt status. An organization must be both organized and operated exclusively for purposes described in IRC Section 501(c)(3). You have failed to meet the operational requirement as explained below.

You failed the operational test because your social and promotional activities substantially serve the private interests of the businesses and individuals of W. Funds solicited from the general public will be used to further activities that will promote the interests of W and not a charitable class. In addition, your activities do not further a charitable purpose because they are not limited or designated to benefit a specific charitable class of individuals. Thus, you have failed to meet the operational test for exemption under IRC Section 501(c)(3). See Treas. Regs. 1.501(c)(3)-1(d)(1)(ii) and Treas. Reg. Section 1.501(c)(3)-1(d)(2).

You are similar to the organizations described in Rev. Rul. 77-111 because your overall purpose is to promote the interests of businesses and individuals located in W. Your events are used to promote the area and W as a destination for tourism. You are thus substantially serving the private interests of the businesses within W. You also do not limit aid to businesses that are owned by members of a minority group, recognized charitable class, or to businesses that are within a deteriorating community. You have not provided any evidence that you are conducting activities that are generally considered exempt, or that any funds received by you are being used to benefit a charitable class. Therefore, you are not operated exclusively for exempt purposes under IRC Section 501(c)(3).

Conclusion

Based on the information provided, you do not qualify for exemption from federal income tax as an organization described in IRC Section 501(c)(3). Your activities substantially promote the private interests of businesses and individuals within a specific segment of your community. You also do not further a charitable purpose because your activities or services are not limited to a specific charitable class. Therefore, exemption is not granted under IRC Section 501(c)(3). Donations to you are not deductible to you by donors.

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

cc: