



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

Date:
05/27/2025
Employer ID number:

Person to contact:

Release Number: 202534010
Release Date: 8/22/2025
UIL Code: 501.00-00, 501.03-00, 501.03-30

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
Letter 4038



Department of the Treasury
Internal Revenue Service
PO Box 2508
Cincinnati, OH 45201

Date:
04/08/2025
Employer ID number:

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

Legend:

B = Date
C = State
D = Organization
E = Program
F = Program
G = Breed

UIL:

501.00-00
501.03-00
501.03-30

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

On your Form 1023-EZ, you state you were formed for the purpose of promoting, improving and fostering the breeding, registration, and showing of G horses.

Detailed information was subsequently requested. You aim to provide the means for improving the G breed by furthering the interest of G owners and breeders through the national organization, D. You are an affiliate state association of D which is currently designated as an IRC Section 501(c)(5) organization.

Programs offered by D, for owners who do not want to compete in shows, include E, incentive programs, and performance programs. E is a saddle-log program that rewards and recognizes D members for their time spent riding or driving their favorite horse regardless of the horse's color. Owners and breeders of G horses can earn annual cash rewards based on points earned at D approved shows. Furthermore, D members and their registered G horses can earn points in events outside of D approved competitions.

Your focus has been hosting 2-3 D approved horse shows each year in conjunction with an All-Breed Open show. Horse shows consist of competitions between horses/exhibitors in equestrian disciplines that are judged for awards and at times, prize money. These shows are open to people of all ages who are members that have a registered G or G bred horse per your rule book. These horse shows allow your members to gain show experience for their horses at a lower level, compared to a World Championship level. D hosts the World Championship G Show. People who exhibit nonregistered G horses compete in the All-Breed Open.

Your horse shows are open to the public for participation. Fees charged for these shows are determined by your parent organization, D, as well as comparing other local nonprofit breed association platforms. You use these fees to pay for the facility and all associated grounds usage costs for the 3-day rental, the judges, the show support staff, the awards given at the show, and your Year End Awards Banquet.

Your mission is to support and serve your membership and highlight G bred horses, as well as provide a friendly atmosphere for all horse lovers to come together to celebrate your shared love of horses. Horse shows are your main recreational and social activity. People of all ages will be at the show and participate. You provide opportunities for your members and guests to socialize in an informal setting. One of the ways you provide this is by hosting an exhibitor's dinner where everyone is invited. You provide this at no cost to thank the exhibitors and guests for coming to support the show. You also hold an ice cream social after the show finishes.

Trainers are present that often help individuals and give pointers before and after classes. You are currently in discussions to potentially hold clinics before or after the show to provide education and increase an individuals' skill level. Schooling opportunities are available when and if a show facility is contracted, but the show must be canceled for unforeseen circumstances during the nonrefundable time frame of the contracted facility. You will hold a schooling opportunity and charge a minimum fee based on the facility fee per person/horse wishing to participate in the schooling activity. In the future, you are looking to organize a clinic where trainers and judges present how they would judge the class and ways to improve on performance of the individual exhibitor. This would be used as an educational opportunity and a social one.

You have one challenged horseman who showed with you at each of your 2024 shows. The F is a D program whose mission is to provide equality through equine activity. The essence is to provide a show ring experience to riders with disabilities. You are one the affiliates that offers these classes for your exhibitor. You hope to see increased participation in your local level F classes in the future.

You have lead line classes for kids 5 years old and younger at your shows. This provides children the opportunity to be led in the show ring by an adult.

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(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization engage, otherwise than as an insubstantial part of its activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(iv) provides that in no case shall an organization be considered to be organized exclusively for one or more exempt purposes, if, by the terms of its articles, the purposes for which such organization is created are broader than the purposes specified in Section 501(c)(3) of the Code.

Treas. Reg. Section 1.501(c)(3)-1(b)(4) holds that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or operation of law, be distributed for one or more exempt purposes.

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)(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.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) defines the term educational as the instruction or training of the individual for the purpose of improving or developing his capabilities or the instruction of the public on subjects useful to the individual and beneficial to the community.

Revenue Ruling 67-216, 1967-2 C.B. 180, held that an organization formed and operated exclusively to instruct the public on agricultural matters by conducting annual fairs and exhibitions may qualify for exemption under IRC Section 501(c)(3).

Rev. Rul. 71-421, 1971-2 C.B. 229, held that a dog club formed to promote the ownership and training of purebred dogs and conducted obedience training classes didn't qualify for exemption under IRC Section 501(c)(3) because while the owner received some instruction in how to give commands to his dog, it was the dog that was the primary object of the training.

Rev. Rul. 77-366, 1977-2 C.B. 192, held that an organization formed to conduct winter-time ocean cruises that included activities to further religious and educational purposes in addition to substantial social and recreational activities didn't qualify for exemption under IRC Section 501(c)(3) because the extensive amount of time, energy, and other resources which were regularly devoted to the conduct of social and recreational activities, together with the manner in which such activities were scheduled in relation to other cruise programs demonstrated that the organization's conduct of such social and recreational activities served substantial independent purposes of a non-exempt nature.

Rev. Rul. 77-68, 1977-1 C.B. 142, held that an organization formed to provide individual psychological and educational evaluations, tutoring, and therapy to children and adolescents with learning disabilities may 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 held that the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption regardless of the number or importance of truly exempt purposes.

In American Kennel Club, Inc. v. Hoey, 148 F.2d 920 (1945), the court held that the taxpayer wasn't exempt from federal taxation under the predecessor to IRC Section 501(c)(3) because regulating the sport of dog shows and field doesn't further charitable, educational, or scientific purposes. The corporation was formed to adopt and enforce uniform rules regulating and governing dog shows and field trials, to regulate the conduct of persons interested in exhibiting, running, breeding, registering, purchasing and selling dogs, to detect, prevent and punish frauds in connection therewith, to protect the interests of its members, to maintain and publish an official stud book and an official kennel gazette, and generally to do everything to advance the study, breeding, exhibiting, running and maintenance of the purity of thoroughbred dogs. The taxpayer's membership was found to be primarily interested in sport.

In Ann Arbor Dog Training Club, Inc. v. Commissioner, 74 T.C. 207 (1980), the court held that the taxpayer wasn't exempt from federal taxation under IRC Section 501(c)(3) because the training of dogs was a substantial purpose of the taxpayer, wasn't incidental to the taxpayer's achieving its alleged educational purpose of training the individual, and wasn't an educational purpose as described in the code.

In St. Louis Science Fiction Limited v. Commissioner, T.C. Memo. 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.

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 qualification of exempt status. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3).

Your Articles of Incorporation (AOI) state your purpose is to promote, improve and foster the breeding, registration, and showing of G horses. As a result, your purpose clause does not satisfy the organizational test described in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) or Treas. Reg. Section 1.501(c)(3)-1(b)(1)(iv). Moreover, upon dissolution, your assets are not distributed for one or more exempt purposes. See Treas. Reg. Section 1.501(c)(3)-1(b)(4).

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). Your primary activities are to promote, improve and foster the breeding, registration, and showing of G horses by hosting and participating in horse shows. You have some activities that are charitable, as described in Treas. Reg. Section 1.501(c)(3)-1(d)(2), such as participating in the F program or providing activities for children. However, these charitable activities are incidental to your primary activities and purpose.

Education of animals is not an IRC Section 501(c)(3) purpose. See Ann Arbor Dog Training Club, Inc. You do have some educational activities, as described in Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i), that are offered or may be offered in the future. These educational activities include trainers helping individuals and giving pointers before and after classes. You will potentially hold clinics before or after your shows to provide education and increase an individual's skill level. Schooling opportunities are available when and if a show

facility is contracted and a show must be canceled for unforeseen circumstances during the nonrefundable time frame of the contracted facility. In the future, you are looking to organize a clinic where trainers and judges present how they would judge the class and ways to improve on performance of the individual exhibitor. However, the above activities do not further your primary purpose. Your primary purpose is to promote, improve and foster the breeding, registration, and showing of G horses by hosting and participating in horse shows which is not an IRC Section 501(c)(3) purpose. See American Kennel Club, Inc.

You are not like the organization described in Rev. Rul. 77-68 because your primary activities are not focused on educating or helping children or adolescents. You do have some activities for children, but these activities are a small part of what you do.

You are like the organization described in Rev. Rul. 71-421 because you are not formed for the primary purpose of training individuals for horse shows. Furthermore, you are not like the organization described in Rev. Rul. 67-216 because you are not formed and operated exclusively to educate the public on matters by conducting your horse shows. Your primary purpose is to promote, improve and foster the breeding, registration, and showing of G horses.

You are like the organization described Rev. Rul. 77-366 because while you have activities that further educational and charitable purposes, you also have substantial social/recreational activities. The conduct of social/recreational activities do not serve an IRC Section 501(c)(3) purpose. See St. Louis Science Fiction Limited.

You are like the organization described in Better Business Bureau of Washington, D.C., Inc. because although you do have some exempt purposes such as educating people to improve their skills and programs for people considered a charitable class, your primary purpose is to promote, improve and foster the breeding, registration, and showing of G horses by hosting and participating in horse shows. Furthermore, you have substantial social/recreational activities. The presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption regardless of the number or importance of truly exempt purposes.

Conclusion

You fail the organizational test because your AOI does not have proper purpose and dissolution clauses. You fail the operational test because you have substantial activities that do not further an IRC Section 501(c)(3) purpose. Therefore, you do not qualify for 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