[redacted]

Person to Contact: [redacted]
Telephone Number: [redacted]
Refer Reply to: [redacted]

Date:
DEC 0 8 1986

CERTIFIED

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(5) of the Internal Revenue Code.

The purposes as shown in your Articles of Incorporation are to develop and promote the [redacted] breed of cattle in the [redacted] Region of [redacted] and to develop and promote high quality [redacted] breeding in stock and feeder cattle.

According to your application and supporting documentation, your organization was formed for the promotion of the [redacted] breed of cattle by providing a place, advertising, and an opportunity for the members to sell their cattle.

The sales are held twice a year with a [redacted] percent commission withheld from the consignors sales check. A percentage of the sale receipts covers advertising, equipment, rental, auctioneer and ringman fees, clerks, fitting service, veterinary fees, and location rental.

In addition your organization advertises the sale of cattles in a variety of newspapers, and on radio stations [redacted], and [redacted].

The Income Tax Regulations, Section 1.501(c)(5), describe organizations contemplated by Section 501(c)(5) of the Code as those organizations which have no net earnings inuring to the benefit of any member and have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products and the development of a higher degree of efficiency in their respective occupations.

Agricultural and horticultural organizations are exempt as organizations described in Section 501(c)(5) if no part of their net earnings inures to the benefit of any member and if their objectives are the betterment of the conditions of members, the

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Code	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		
Surname							
Date	10/8/86	10/10/86	11/24/86	11/24/86	11/25/86		

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the conditions of those engaged in such pursuits, the improvement of the grade of their products and the development of a higher degree of efficiency in their respective occupations.

Revenue Ruling 56-105, 1961-1 C.B. 145, states that an organization composed of agricultural producers whose principal activity is marketing livestock for its members does not qualify for exemption under Section 501(c)(5) of the Internal Revenue Code.

Based on the information submitted and Revenue Ruling 56-105, your organization does not qualify for exemption under Section 501(c)(5) because your principal activity is marketing livestock as an agent for your members. Accordingly, you are required to file Federal Income Tax Returns on Form 1120.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

Please keep this determination letter in your permanent records.

If you agree with this determination please sign and return the enclosed Form 6018.

Sincerely yours,

[redacted]

District Director

Enclosures:

Form 6018
Pub. 892