

NEW MEXICO COWBELLES – 501(c)(5)

501(c)(5) Labor, Agricultural and Horticultural Organizations

If you are a member of an organization that wants to obtain recognition of exemption from federal income tax as a labor, agricultural, or horticultural organization, you should submit an application on Form 1024. You must indicate in your application for exemption and accompanying statements that no part of the organization's net earnings will inure to the benefit of any member. In addition, you should follow the procedure for obtaining recognition of exempt status described in chapter 1. Submit any additional information that may be required, as described in this section.

Tax treatment of donations. Contributions to labor, agricultural, and horticultural organizations aren't deductible as charitable contributions on the donor's federal income tax return.

However, such payments may be deductible as business expenses if they are ordinary and necessary in the conduct of the taxpayer's trade or business. For more information about certain limits affecting the deductibility of these business expenses, see *Deduction not allowed for dues used for political or legislative activities*, under 501(c)(6) - *Business Leagues, etc.*

Labor Organizations

A labor organization is an association of workers who have combined to protect and promote the interests of the members by bargaining collectively with their employers to secure better working conditions.

To show that your organization has the purpose of a labor organization, you should include in the articles of organization or accompanying statements (submitted with your exemption application) information establishing that the organization is organized to better the conditions of workers, improve the grade of their products, and develop a higher degree of efficiency in their respective occupations. In addition, no net earnings of the organization can inure to the benefit of any member.

Composition of membership. While a labor organization generally is composed of employees or representatives of the employees (in the form of collective bargaining agents) and similar employee groups, evidence that an organization's membership consists mainly of workers doesn't in itself indicate an exempt purpose. You must show in your application that your organization has the purposes described in the preceding paragraph. These purposes can be accomplished by a single labor organization acting alone or by several organizations acting together through a separate organization.

Benefits to members. The payment by a labor organization of death, sick, accident, and similar benefits to its individual members with funds contributed by its members, if made under a plan to better the conditions of the members, doesn't preclude exemption as a labor organization. However, an organization doesn't qualify for exemption as a labor organization if it has no authority to represent members in job-related matters, even if it provides weekly income to its members in the event of a lawful strike by the members' union, in return for an annual payment by the member.

For more information on labor organizations, see *Life Cycle of a Labor Organization* at IRS.gov.

Agricultural and Horticultural Organizations

Agricultural and horticultural organizations are connected with raising livestock, forestry, cultivating land, raising and harvesting crops or aquatic resources, cultivating useful or ornamental plants, and similar pursuits.

For the purpose of these provisions, aquatic resources include only animal or vegetable life, but not mineral resources. The term harvesting, in this case, includes fishing and related pursuits.

Agricultural organizations can be quasi-public in character and are often designed to encourage the development of better agricultural and horticultural products through a system of awards, using income from entry fees, gate receipts, and donations to meet the necessary expenses of upkeep and operation. When the activities are directed toward the improvement of marketing or other business conditions in one or more lines of business, rather than the improvement of production techniques or the betterment of the conditions of persons engaged in agriculture, the organization must qualify for exemption as a business league, board of trade, or other organization, as discussed next in the section on 501(c)(6) organizations.

The primary purpose of exempt agricultural and horticultural organizations must be to better the conditions of those engaged in agriculture or horticulture, develop more efficiency in agriculture or horticulture, or improve the products.

The following list contains some examples of activities that show an agricultural or horticultural purpose.

- Promoting various cooperative agricultural, horticultural, and civic activities among rural residents by a state, farm, or home bureau.
- Exhibiting livestock, farm products, and other characteristic features of agriculture and horticulture.
- Testing soil for members and nonmembers of the farm bureau on a cost basis, the results of the tests and other recommendations being furnished to the community members to educate them in soil treatment.
- Guarding the purity of a specific breed of livestock.
- Encouraging improvements in the production of fish on privately owned fish farms.
- Negotiating with processors for the price to be paid to members for their crops.

For more information on agricultural or horticultural organizations, see *Life Cycle of an Agricultural or Horticultural Organization* at IRS.gov.