

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply [REDACTED]

Date: [REDACTED]

Date 5/14/90

[Handwritten signature and initials]

EIN: [REDACTED]
Key District: [REDACTED]

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code.

The information submitted indicates that you were incorporated [REDACTED]. Your primary purpose is to donate money to [REDACTED], a non-profit school located in [REDACTED]. However, it appears that you do not do any fundraising yourself but instead rely on the [REDACTED] to do fundraising. All your development efforts will be conducted by the Development Manager of [REDACTED] under the supervision, direction and assistance of the development committee of [REDACTED].

[REDACTED] has not established exempt status under section 501(c)(3) of the Code. Fundraising materials which you have provided refer only to [REDACTED] and solicit contributions to [REDACTED]. They do not mention your name.

Section 170(c)(2)(A) of the Code provides for the deductibility of contributions made to recipient organizations created or organized in the United States.

Section 1.170A-8(a)(i) of the Income Tax Regulations provides that a charitable contribution by an individual to an organization described in section 170(c) of the Code may be deductible even though all, or some portion of, the funds of the organization may be used in foreign countries for charitable or educational purposes.

Section 501(a) of the Code provides an exemption from federal income tax for organizations described in section 501(c)(3) of the Code.

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(c)(1) of the regulations states, in part, that an organization will not be operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Rev. Rul. 63-252, 1963-2 C.B. 101 holds that contributions to a domestic charitable organization that transmits the funds to a foreign charitable organization are deductible only if it can be shown that the contribution is in fact to or for the use of the domestic organization, and that the domestic organization is not serving as an agent for, or conduit of, a foreign charitable organization.

In Better Business Bureau of Washington, DC v. United States, 326 U.S. 279 (1945) it was held that the presence of a single non exempt purpose if substantial in nature, will preclude exemption under section 501(c)(3) of the Code, regardless of the number or importance of statutorily exempt purposes.

You have not shown that you are operated for exempt purposes. Your reliance on the fundraising efforts of [REDACTED] suggests that you exist merely as a mechanism to raise funds for [REDACTED]. You are, in effect, a conduit for a non-exempt organization with no independent charitable purpose.

Moreover, even if you were operated for exempt purposes, contributions to you would not be deductible. By allowing [REDACTED] to conduct fundraising, you are delegating too much of your planned activity to the foreign organization. In this way you will be functioning like a fundraising arm of a foreign organization in contravention of Rev. Rul. 63-252.

Accordingly, we have concluded that you are not operated exclusively for exempt purposes and are not entitled to exemption under section 501(c)(3) of the Code.

Donors may not deduct contributions to you under section 170 of the Code. You are required to file federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have the right to a conference in this office after your statement is submitted. You

[REDACTED]

must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If you do not protest this proposed ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that a declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, any questions about your federal income tax status should be addressed to that office. The appropriate State officials will be notified of this action in accordance with section 6104(c) of the Code.

Sincerely yours,

15/

[REDACTED]
Chief, Exempt Organizations
Technical Branch 2