

Internal Revenue Service  
Regional Commissioner

Department of the Treasury

Date:

[REDACTED]

Employer Identification Number:

[REDACTED]

Form Number:

[REDACTED]

Tax Years:

[REDACTED]

Key District:

[REDACTED]

Person to Contact:

[REDACTED]

Contact Telephone Number:

[REDACTED]

Dear Sir:

This is a final adverse determination as to your exempt status under section 501(c)(3) of the Internal Revenue Code.

Our adverse determination was made for the following reason(s):

To be recognized as exempt under Section 501(c)(3), an organization must be both organized and operated exclusively for the purposes listed in that section. Because your creating documents contain purposes broader than those contained in Section 501(c)(3) and there is no language limiting those purposes to those of Section 501(c)(3), you are not considered to be exclusively organized. Furthermore, your creating documents do not permanently dedicate your assets to Section 501(c)(3) purposes by providing for their proper distribution upon dissolution of the organization.

Second, the use of funds from the operation of the museum for the maintenance and restoration of [REDACTED] does not meet the operational limitations of IRC 501(c)(3).

Contributions to your organization are not deductible under Code section 170.

You are required to file Federal income tax returns on the form indicated above. Based on the financial information you furnished, it appears that returns should be filed for the above years. You should file these returns with your key District Director, EP/EO Division, within 30 days from the date of this letter, unless a request for an extension of time is granted. Processing of income tax returns and assessment of any taxes due will not be delayed because you have filed a petition for declaratory judgment under Code section 7428. You should file returns for later tax years with the appropriate service center shown in the instructions for those returns.

If you decide to contest this determination under the declaratory judgment provisions of Code section 7428, a petition to the United States Tax Court, the United States Court of Claims, or the district court of the United States for the District of Columbia must be filed within 90 days from the date this determination was mailed to you. Contact the clerk of the appropriate court for rules for filing petitions for declaratory judgment.

(over)

10 MAR 1982

10 MAR 1982

CERTIFIED MAIL



Dear Applicant:

Has been considered your application for recognition of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The information submitted discloses that you were incorporated under the General Not For Profit Corporation Act of the State of [redacted] on [redacted]. Your [redacted] are "to cause the passenger steamer [redacted] which is in the custody of the United States District Court at [redacted], to be taken to [redacted] in order that sightseers may visit the vessel; to preserve the vessel as a historic object; to set aside certain areas as a maritime museum where maritime artifacts and other exhibits may be displayed for viewing by the public; to seek contributions and dues from several classes of members; to lease certain spaces for operation of restaurant facilities; to employ a manager and such staff as may be needed to preserve and display the vessel; to set aside from net revenues a fund to pay the claims of the creditors in order that the vessel may be used as a museum instead of being sold under court order and scrapped; and if the foregoing objectives are successful to permit its owner to operate the vessel for excursions in [redacted], continuing to utilize areas of the vessel for museum purposes; and in general to promote the advancement of education through exhibits, lectures and tours."

Your organization entered into an agreement with [redacted] in [redacted], for the use of the vessel, [redacted]. The funds raised will be used to pay off the debts of the vessel so that the [redacted] will eventually be able to make trips around [redacted].

The renovation of the vessel was started in [redacted] by [redacted], the purchaser of the vessel, who is President of [redacted].

Your organization offers various membership as follows; individual, family, business/corporate and plank owner. The plank owner receives a stateroom aboard the vessel, including once a week maid service including linens, for the entire public season for \$[redacted].

[redacted] features a restaurant available for groups and parties, marine cocktail lounge, hospitality and club lounges, movie theatre, game room, children's playroom, dancing facilities, soda bar/snack shop, and vast open decks for strolling and relaxing.

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
	[redacted]	[redacted]	[redacted]	[redacted]			
	1/19/82	1/25/82	3-9-82	3/10/82			

Section 501(c)(3) of the Code provides, in part, for the exemption from federal income tax of organizations that are organized and operated exclusively for religious, charitable, scientific or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more purposes specified in such section. If an organization fails to meet either the organizational test or the operational test it is not exempt.

Section 1.501(c)(3)-1(c)(1) of the regulations 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 exempt purposes specified in section 501(c)(3) of the Code.

Section 1.501(c)(3)-1(d)(1)(i) of the regulations provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest.

Section 502 of the Internal Revenue Code of 1954 provides that an organization operated for the primary purpose of carrying on a trade or business shall not be exempt on the ground that all of its profits are payable to an exempt organization.

The funds raised will be used to pay off the debts of the vessel and to renovate the vessel. This is private benefit to the owner of the vessel.

Your organization is primarily operating a business, the historical exhibit is a minor part of the operation of the vessel.

On the basis of the information submitted we have concluded that you are neither organized nor operated exclusively for one or more exempt purposes as specified in section 501(c)(3) of the Code.

Therefore, you are required to file Form 1120.

If you do not agree with these conclusions, you may, within thirty 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 right and procedures.

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If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as failure to exhaust available administrative remedies. Section 7429(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court of Claims, 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."

Please keep this determination letter in your permanent records.

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

Sincerely yours,

  
District Director

Enclosures:

Form 6018  
Publication 093

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
SUR-NAME							
DATE							