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DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: DEC 02 2003

Contact Person:

Identification Number:

UIL: 501.00-00

Contact Number:

Employer Identification Number:

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(4). Based on the information submitted, we have concluded that you do not qualify for exemption under that section. The basis for our conclusion is set forth below.

The information you submitted indicates that you were incorporated under the non-profit corporation laws of the [redacted] with the stated goal of increasing the number of [redacted] women involved in public/political service, including elected office, and appointive governmental positions. You state that the members of your Board of Trustees are [redacted] women executives with an interest in educating other women to be successful government leaders. You conduct a political leadership-training program. Each year you select [redacted] to women to complete the [redacted] month program. Admission to the program is competitive. In order to be eligible for consideration, an applicant must be sponsored by a [redacted] and must confirm loyalty to the [redacted]. Each participant is paired with a mentor from your Honorary Board, a group of female legislators and cabinet officers.

You state that although admission is limited to [redacted] women, the education provided is non-partisan. Your curriculum focuses on government structure, the role of government, and the tools required to seek and achieve a successful position in government, including elected office. You state that you do not support the election or defeat of any candidate or public issue, do not make political contributions, do not spend funds on advocacy issues, and do not inquire of any applicant whether she will seek elected office. Your primary source of financial support is direct public contributions from both the corporate community and individuals. . . On [redacted] the [redacted] determined that you are not certified as a continuing political committee pursuant to the [redacted] campaign contributions and Expenditures Reporting Act and that it did not appear that you were required to file as a political committee.

Section 501(c)(4) of the Internal Revenue Code (hereinafter "Code") provides for the exemption from federal income tax of organizations not organized for profit but operated

exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

Section 1.501(c)(4)-1(a)(2)(ii) of the regulations provides that the promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office.

Rev. Rul. 60-193, 1960-1 C.B. 195, concludes that an organization created to encourage greater participation in governmental and political affairs qualifies for recognition of exemption under section 501(c)(4) of the Code. Activities of the organization include seminars and workshops held on campuses of colleges and universities. The subject matter of these seminars relates to the American political system. All lecturers, including academic political scientists and political leaders from the local and national levels, were required to maintain certain technical standards and were not allowed to advocate for any particular political group. Seminars and workshops were moderated by permanent staff personnel of the organization in order to prevent the program from becoming partisan in character.

Rev. Rul. 73-306, 1973-2 C.B. 179, provides that an organization formed for the purpose of promoting the common interest of tenants who reside in an apartment complex does not qualify for exemption under section 501(c)(4) of the Code. Any person regularly living in the complex is eligible for membership. The organization represented its member-tenants in negotiations with the management of the complex in order to secure better maintenance and services, and reasonable rentals. The Service concluded that this organization was not described in section 501(c)(4) of the Code because it was operated to benefit its members and was not primarily engaged in activities that promote the common good and general welfare of the community.

In contrast, Rev. Rul. 80-206, 1980-2 C.B. 185, holds that an organization formed to promote the legal rights of all tenants in a community qualifies for exemption under section 501(c)(4) of the Code.

Rev. Rul. 73-349, 1973-2 C.B. 179, holds that an organization formed to purchase groceries for its members at the lowest possible prices on a cooperative basis is not exempt under section 501(c)(4) of the Code. Each member paid for the cost of food ordered plus a monthly service charge, which defrayed the organization's expenses. The organization was a cooperative enterprise for the economic benefit or convenience of its members. The Service stated that the organization was operated primarily for the benefit of members and not to promote the common good and general welfare of the community.

Rev. Rul. 75-286, 1975-2 C.B. 210, describes an organization that was formed by the residents of a city block to preserve and beautify that block, to improve all public facilities within the block, and to prevent physical deterioration of the block. Its activities consisted of paying the city government to plant trees on public property within the block, organizing residents to pick up litter and refuse in the public streets and on public sidewalks within the block, and

encouraging residents to take an active part in beautifying the block by placing shrubbery in public areas. Much of the public area improved by the organization was part of the public roadway lying between the sidewalk and the street in front of private property owned by members of the organization. Membership in the organization was restricted to residents of the block and those owning property or operating businesses there.

The Service concluded that the organization did not qualify for exemption under section 501(c)(3) of the Code but did qualify for exemption under section 501(c)(4). The Service reasoned that because the activities enhanced the value of the members' property rights, the organization served the private interests of its members and did not qualify for exemption under section 501(c)(3). However, the Service also reasoned that while the organization's activities were benefiting its members there was sufficient benefit conferred upon the community as a whole. Although private benefit did exist to the members, the primary benefit was to the community. Therefore, the organization was not operated primarily for the benefit of members, but primarily to promote social welfare.

In Commissioner v. Lake Forest, Inc., 305 F.2d 814 (4th Cir. 1962), a corporation was organized for the purpose of purchasing a government housing project and converting it to cooperative, nonprofit housing for its members. Membership in the corporation was established by the purchase of a corporate share, which allowed the purchaser an apartment unit. The court held that the organization was not described in section 501(c)(4) of the Code because the operation was a private self-help enterprise with only incidental benefit to the community.

In Contracting Plumbers Cooperative Restoration Corp. v. United States, 488 F.2d 684 (2d Cir. 1973), cert. denied, 419 U.S. 827 (1974), plumbers working in New York City were responsible for the cuts they made in the city streets. Prior to the organization's existence, the city had repaired the cuts and billed the plumbers individually. This system proved to be highly inefficient. The organization was formed in order to restore the city streets. It only repaired cuts made by its members. The joint effort of the plumbers reduced their liability and their expenses. While the court found the program to be highly beneficial, it concluded that the organization principally served the private economic interests of its members and, thus, could not be considered exempt under section 501(c)(4) of the Code.

Rev. Rul. 66-256, 1966-2 C.B. 210, describes an organization that was formed to bring about a fair and open-minded consideration of social, political, and international questions by the promotion and sponsorship of a public forum at which debates and lectures were conducted. The organization invited prominent individuals to discuss varying political and social matters of national and community interest. The speakers, in addition to delivering their prepared text, answered questions of those attending. The other part of the organization's program involved the sponsorship of debates. Individuals representing opposing viewpoints were invited to debate particular topics. The debates were conducted in accordance with carefully drawn rules. Frequently, the persons invited to lecture or debate were controversial and occasionally there was opposition to their appearance. None of the programs or activities of the organization involved the participation or intervention in any political campaigns of candidates for public office.

The Service stated that the presentation of public lectures, forums, or debates was a recognized method of educating the public. The fact that the presence of the invited speaker or his opinions could precipitate controversy within the community did not adversely affect the status of an organization whose primary purpose was to provide a forum for speakers. Consequently, the Service concluded that the organization qualified for exemption under section 501(c)(3).

Rev. Rul. 76-456, 1976-2 C.B. 151, describes an organization that was formed for the purpose of elevating the standards of ethics and morality that prevail in the conduct of campaigns for election to public office at the national, state, and local levels. On a nonpartisan basis the organization collected, collated, and disseminated information concerning general campaign practices through the press, radio, television, mail, and public speeches. In addition, the organization furnished 'teaching aids' to political science and civics teachers to help stress the need for ethical conduct in political campaigns. The organization proposed a Code of fair campaign practices. Although need for the Code was extensively publicized, the organization did not solicit the signing or endorsement of the Code by candidates for political office.

The Service observed that the organization was instructing the public on subjects useful to the individual and beneficial to the community within the meaning of section 1.501(c)(3)-1(d)(3) of the regulations by encouraging voters to concern themselves with fair as well as unfair practices encountered in political campaigns. This was done, on a nonpartisan basis, so that citizens could increase their knowledge and understanding of our election processes and participate more effectively in their selection of government officials. Consequently, the Service concluded that the organization was operated exclusively for educational purposes and thus qualified for exemption under section 501(c)(3) of the Code.

Rev. Rul. 80-282, 1980-2 C.B. 178, describes an organization whose activities included the publication of Congressional incumbents' voting records on selected issues in a non-partisan newsletter. The Service observed that the format and content of the publication were not neutral because the publication reported each incumbent's votes and his/her views on selected legislative issues and indicated whether that incumbent supported or opposed the organization's view. However, the voting records of all incumbents were presented and candidates for reelection were not identified. No comment was made on an individual's overall qualifications for public office, no statements expressly or impliedly endorsed or rejected any incumbent as a candidate for public office, and no comparison of incumbents with other candidates were made. The organizations noted the inherent limitations of judging the qualifications of an incumbent on the basis of certain selected votes by stating the need to consider such unrecorded matters as performance on subcommittees and constituent services. Furthermore, the organization did not widely distribute its compilation of incumbents' voting records. The publication was distributed to the organization's normal readership, numbering only a few thousand nationwide. This resulted in a very small distribution in any particular state or Congressional district. No attempt was made to target the publication toward particular areas in which elections are occurring or to time the date of publication to coincide with an election. The Service concluded that the organization was not engaged in prohibited political campaign activity.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), an organization

was formed for charitable and educational purposes. The organization's primary activity was to operate a school. The school trained individuals for careers as political campaign professionals. The school maintained a regularly scheduled curriculum, a regular faculty and a full-time enrolled student body. Prior to the formation of the organization, the

sponsored programs designed to train candidates and to train and subsequently place campaign professionals in campaigns. The organization stated that it was an outgrowth of the programs operated by the contributed the physical assets, such as furniture and computer hardware, to the organization. of the organization's full-time faculty were previously involved in the training program. One the of the organization's three initial directors was the executive director of the

The organization did not train candidates or participate in, or intervene in, any political campaign on behalf of any candidate. Neither did the organization engage in any activities tending to influence legislation. Applicants were required to provide the organization with professional references. While applicants were not required to formally declare their political affiliation to attend the organization's school, such affiliation could be deduced from the campaign experiences and political references contained in the applications. Graduates of the school were employed by various organizations. No graduate was known to have affiliated with any domestic political party other than the

The Court concluded that the organization's activities benefited the private interests of entities and candidates more than incidentally. The organization, thus, served a substantial nonexempt purpose. Although the school had a legitimate educational program, the Court held that the school conducted its educational activities with the partisan objective of benefiting the interests of the

In order to qualify for recognition of exemption under section 501(c)(4) of the Code, an organization must be primarily engaged in activities that promote social welfare. The promotion of social welfare may include activities that educate the public or lobby public officials or both. Exemption is not dependent on the point of view of the educational material or the issue being lobbied. In contrast to lobbying and educational activities, partisan political activity does not promote social welfare as defined in section 501(c)(4). Such activity promotes the interests of the one political faction. An organization engaging in such activity is engaged not merely in the clash of ideas, but in a contest for power.

The information you submitted indicates that you are a partisan organization and that your activities are partisan in nature. Participation in your leadership-training program is limited to registered members of the who are sponsored by members of the

Although you have a legitimate educational program, you conduct your activities for the benefit of the Your activities are chosen for their benefit to the and its members who wish to run for public office on the ticket or hold appointive office.

Unlike the organization described in Rev. Rul. 60-193, supra, which encouraged participation in the political process by explaining the process on a nonpartisan basis, you appear to have been created for the partisan objective of training and supporting politicians affiliated with the Based on the above facts and circumstances, we conclude

that your activities benefit the private interests of the rather than promote the social welfare of the community as a whole.

This private benefit standard is demonstrated in American Campaign Academy, supra, and is relevant here. In that case, the court held that an organization created to serve a particular faction in the political spectrum was not exempt under section 501(c)(3) of the Code because its activities benefited the private interest of that particular faction. The private benefit standard as described in American Campaign Academy also applies to organizations seeking exemption under section 501(c)(4). The difference between these two Code sections lies in the weight accorded the private benefits (i.e. the amount of private benefits), not the standard. See e.g. Rev. Rul. 75-286, supra.

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(4) of the Code and you must 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 to this office, 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 a right to a conference in this office after your statement is submitted. You 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 we do not hear from you within 30 days, this ruling will become final and a copy will be forwarded to the Ohio Tax-Exempt and Government Entities (TE/GE) office. Thereafter, any questions about your federal income tax status should be directed to that office, either by calling 877-829-5500 (a toll free number) or sending correspondence to: Internal Revenue Service, TE/GE Customer Service, P.O. Box 2508, Cincinnati, OH 45201. The appropriate State Officials will be notified of this action in accordance with Code section 6104(c).

When sending additional letters to us with respect to this case, you will expedite their receipt by using the following address:

Internal Revenue Service
TE/GE (T:EO:RA:T:4)

1111 Constitution Ave, N.W.
Washington, D.C.

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If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,



Debra J. Kawecki
Acting Manager
Exempt Organizations
Technical Group 4