

Internal Revenue Service

Department of the Treasury

District Director

Delaware-Maryland District

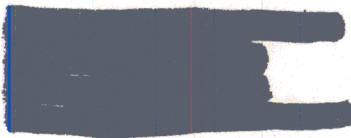
31 Hopkins Plaza, Baltimore, MD 21201

PERSON TO CONTACT

CONTACT TELEPHONE NUMBER

IN REPLY REFER TO:

DATE



CERTIFIED MAIL

Dear Applicant:

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

The information you submitted indicates that you were incorporated under the laws of [redacted] on [redacted]. Your stated purpose is to, promote improved housing and community conditions for lower and moderate income persons throughout the United States, a charitable purpose and, in furtherance of the foregoing to engage in any and all activities ordinarily carried on by a nonprofit corporation, except as may be prohibited by the laws of [redacted]. The corporation may sponsor, own or operate affordable housing developments, apply for and administer grants and contracts to support these efforts and any related community development activity. The corporation shall promote community self-reliance and homeownership initiatives through self-help and cooperative efforts.

You have indicated that your primary activities would be as follows:

1 Develop the sponsorship for affordable housing developments by carrying out market studies, researching site controls, formatting financial and architectural plans, and obtaining local support for loans. All of these activities are to be carried out with the assistance of a local partner.

2 Develop and carry out a program of leadership training for the residents councils and board of directors of affordable housing communities. This program is to be carried out by either members of the Foundation or by consultants for the Foundation. You have noted that this program will make up [redacted] of your activities.

3 Develop and carry out feasibility studies on homeownership and self-sufficiency for low income purchasers. This project will be carried out by board members or officers of the Foundation by using information gathered from studies in the field of legal, organizational, physical- technical, financial, social, managerial, marketing and economics. The information is then used to promote interests in the homeownership for low income individuals and families. This program will make up [redacted] of your total activities.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname							
Date							

Developed and published a newsletter for members and nonmembers. This document detailed the past activities of the Foundation, along with providing some statistical data on the Foundations national impact.

Your overall activities appear to be focused on identifying, training and coordinating the opportunities for management and/or ownership of low and moderate income housing by other organizations or individuals.

This activity does not in itself clearly support a purpose described under section 501(c)(3) of the Code.

While it is true that providing housing for low income individuals meets the requirement as being a charitable activity under section 501(c)(3) of the Code, it has not been established that researching, training and studying the need for affordable and low income housing is an activity that will qualify under section 501(c)(3) of the Code.

As it is necessary for an organization to be both organized and operated exclusively for a purpose described within section 501(c)(3) of the Code to qualify under this section, it is unclear how the primary activities of your organization will meet this requirement.

In *Better Business Bureau v. United States*, 326 U. S. 279, 283 (1945); the Supreme Court stated that in order to fall within the claimed exemption, an organization must be devoted exclusively to a purpose specified in section 501(c)(3). This means that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly educational or other exempt purposes.

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

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

Regulation section 1.501(c)(3)-1(b)(1) specifies that an organization is organized exclusively for one or more exempt purpose only if its articles of organization limit the purposes of such organization to one or more exempt purposes.

Regulation section 1.501(c)(3)-1(c)(1) stipulates that an organization will be regarded as operated exclusively for one or more exempt purpose only if it engages primarily in activities which accomplish any of the activities specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

[REDACTED]

Regulation section 1.501(c)(3)-1(d)(1)(ii) states that an organization is not organized or operated exclusively for exempt purposes unless it serves public rather than private interests. Thus, to meet the requirements of this section, it is necessary for the organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, or persons controlled directly or indirectly by such private interests.

Revenue Ruling 72-369, 1972-2 C.B. 245, states that an organization formed to provide managerial and consulting services at cost and solely to unrelated exempt organizations is not sufficient to characterize this activity as charitable or educational within the meaning of section 501(c)(3). Furnishing the services at cost lacks the donative element necessary to establish this activity as charitable.

In Revenue Ruling 73-56, 1973-2 C.B. 178, the Internal Revenue Service ruled that an organization that devised, administered and issued certifications in a medical specialty to physicians was exempt under section 501(c)(6), not section 501(c)(3). The organization was promoting high professional standards directed primary to serve the interests of the medical profession and was not operated for an exclusively charitable purpose.

Based on the information submitted, we have determined that you are not entitled to exemption under section 501(c)(3) of the Code, and that you are a taxable entity. You are required to file federal income tax returns on Form 1120.

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

If you do not agree with our determination, you may request consideration this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. You appeal should give the facts, law and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient District office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

[REDACTED]

If you do not appeal this determination within 30 days from the date of this letter, as explained in the enclosed Publication 892, this will become our final determination on this matter. In accordance with section 6104(c) of the Code, we are notifying the appropriate state officials of this determination. Further, if you do not appeal this determination within the time provided, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) provides, in part, that, "A declaratory judgement 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 with in the Internal Revenue Service."

Sincerely yours,

Paul A. Huntington

District Director

cc: State Attorney General- [REDACTED]
enclosure: Publication 892