

Internal Revenue Service

District  
Director

Delaware-Maryland District

▷ [REDACTED]  
[REDACTED]  
[REDACTED]

Department of the Treasury

31 Hopkins Plaza, Baltimore, MD 21201

Person to Contact:

[REDACTED]

Contact Telephone Number:

[REDACTED]

In Reply Refer to:

[REDACTED]

Date: **MAR 23 1999**

CERTIFIED MAIL:

Dear Sir/Madam:

We have considered your application for recognition of exemption from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code.

You incorporated in [REDACTED] on [REDACTED] to be organized and operated exclusively for educational and charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code.

In operation, you will provide quality free or low cost childcare for poor and disadvantaged parents.

Your source of income will be from contributions and expended for salaries, benefits and operations.

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

Section 501(c)(3)-1(c)(1) of the Regulations states that an organization is operated exclusively for the purposes set out in section 501(c)(3) of the Code only if substantially all of its activities are in furtherance of these purposes.

Revenue Procedure 90-27, published in Cumulative Bulletin 1990-1, on page 514, provides, in part, that exempt status will be recognized in advance of operations if proposed operations can be described in sufficient detail to permit a conclusion that the organization will clearly meet the particular requirements of the section under which exemption is claimed. A mere restatement of purposes or a statement that proposed



activities will be in furtherance of such purposes will not satisfy this requirement. The organization must fully describe the activities in which it expects to engage, including the standards, criteria, procedures, or other means adopted or planned, and the nature of contemplated expenditures. Where the organization cannot demonstrate to the satisfaction of the Service that its proposed activities will be exempt, a record of actual operations may be required before a ruling or a determination letter will be issued. In those cases where an organization is unable to describe fully its purposes and activities, a refusal to issue a ruling or determination letter will be considered an initial adverse determination from which administrative appeal or protest rights will be afforded.

In our letter dated [REDACTED] we requested further clarification of your method of operation. In response, you disclosed that you do not have a facility; a fee schedule; children; employees or an admission application. You are unable to provide the number of children that the State will authorize for the facility. Your financial data reflects compensation to the Director in the amount of \$ [REDACTED], \$ [REDACTED], and \$ [REDACTED] respectively. Your letter dated [REDACTED] belies the mentioned salaries. The marked difference is evident of the fact that you are unsure of your method of operation.

Although your purpose is within the purview of section 501(c)(3), at this time, you are unable to provide sufficient information to permit a conclusion that the activities you will carry on will be in furtherance of 501(c)(3) purposes, and that they will be carried out in a manner that will meet the requirements of section 501(c)(3) of the Code.

On the authority of the above Revenue Procedure, it is held that a record of actual operations will be required before a ruling or determination will be issued.

After you have operated for a period of time sufficient to permit a conclusion that your operations will clearly fall within the scope of section 501(c)(3) of the Internal Revenue code and a reconsideration of your exempt status is desired, a new application for exemption may be filed with this office.

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(3) of the Code. In accordance with this determination, you are required to file Federal income tax returns on Form 1120.

Contributions to your organization are not deductible by donors under section 170(c)(2) of the Code.

In accordance with the provisions of section 6104(c) of the Code, a copy of this letter will be sent to the appropriate State officials.

If you do not agree with our determination, you may request consideration of 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. Your 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.

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination in this matter. Further, if you do not appeal this determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust administrative remedies. Section 7428 (b)(2) of the Code 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 within the Internal Revenue Service."

Appeals submitted which do not contain all documentation required by Publication 892 will be returned for completion.

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

Sincerely,



Paul M. Harrington  
District Director

cc: State Attorney General [REDACTED]  
Enclosure: Publication 892