

[REDACTED]

[REDACTED]

CP:E:EO:T:5

JAN - 6 1997

Dear Applicant:

This is in response to your Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, as supplemented by information submitted with your letters dated [REDACTED], [REDACTED], and [REDACTED].

You were incorporated in [REDACTED] on [REDACTED] exclusively for charitable and educational purposes in general. You have indicated that your primary goal is to teach people the [REDACTED] healing techniques of [REDACTED]. You have indicated no activities have been conducted by you as yet. You are associated with a for-profit corporation now called [REDACTED] which is jointly owned by your creator and another individual. The teaching activities you intend to undertake are presently being conducted by this for-profit corporation in a seminar format. You indicate that after your exempt status is recognized, you will conduct general introductory seminars, while the for-profit entity will continue to conduct advanced teaching and individual training. Officers of the for-profit corporation are compensated from fees collected in conjunction with seminars, and you expect to pay compensation in a similar manner to your creator and others for seminars they conduct for you.

Sections 501(a) and 501(c)(3) of the Code provide, in part, for the exemption from federal income tax of corporations organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(a) of the Income Tax Regulations provides that to be exempt under section 501(c)(3) of the Code an organization must be organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(d)(1) of the regulations provides, in part, that an organization may be exempt under section 501(c)(3)

RE: [REDACTED]

of the Code if it is organized for charitable purposes. However, it is not organized or operated exclusively for a charitable purpose unless it serves a public rather than a private interest. Thus, an organization must establish that it is not organized or operated for the benefit of designated individuals.

Harding Hospital, Inc. v. United States, 505 F2d 1068 (1974), holds that an organization seeking a ruling as to recognition of its tax exempt status has the burden of proving that it satisfies the requirements of the particular exemption statute. Whether an organization has satisfied the operational test is a question of fact.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), Ct.D. 1650, C.B. 1945 375, the Supreme Court of the United States held that the presence of a nonexempt purpose, if more than insubstantial, would destroy tax exempt status as a charitable organization.

Rev. Proc. 90-27, 1990-1 C.B. 514 sets forth procedures with regard to applications for recognition of exemption from federal income tax under sections 501 and 521 of the Code.

Section 5.02 of Rev. Proc. 90-27 provides 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 for carrying out the activities, the anticipated sources of receipts, 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 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.

The conduct of seminars to teach [REDACTED] techniques may be regarded as educational and therefore be an activity described

RE: [REDACTED]

in section 501(c)(3) of the Code. However, the fact that your creator will be paid for services in conjunction with this activity, and the fact that some participants in your seminars will progress and utilize the advance training offered by your for-profit affiliate suggests an element of private benefit will result from your activities.

Because you have not submitted evidence which shows that your activities will be exclusively for charitable purposes, you have failed to establish that you will qualify for exemption under section 501(c)(3) of the Code.

Contributions to you are not deductible 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 principle 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 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 principle officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practice Procedures.

If you do not protest this proposed ruling in a timely manner, it will be considered by the Service as a failure to exhaust available 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 United States Tax Court, the U.S. Court of Federal 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.

To insure your reply is properly directed and promptly considered please use the following address:

[REDACTED]
Internal Revenue Service
Attn: CP:E:EO:T:5 Room 6541
1111 Constitution Ave. N.W.
Washington, DC 20224

RE: [REDACTED]

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 tax status should be addressed to that office. Also, the appropriate State officials will be notified of this action in accordance with section 6104(c) of the Code.

Sincerely yours,
(signed) Garland A. Carter

Garland A. Carter
Chief, Exempt Organizations
Rulings Branch 5

CC: [REDACTED]

CC: [REDACTED]

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	CP:E:ED:T:5	CP:GK:T:5					
Surname	[REDACTED]	[REDACTED]					
Date	1/6/97	1/6/97					