



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

NO PROTEST RECEIVED  
Release to Manager, SO Determinations - Cincinnati

DATE: [REDACTED]

[REDACTED]

Date: MAY 27 2003

[REDACTED]

Contact Person:

[REDACTED]

Identification Number:

[REDACTED]

Contact Number:

[REDACTED]

Employer Identification Number [REDACTED]

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)(2). 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:

You were incorporated under [REDACTED]s General Corporation Law on [REDACTED]. The corporation was dissolved as of [REDACTED]. Your Form 1024 application was filed on [REDACTED].

Your exclusive purpose was to acquire real property, hold title to, collect income from and at least annually, distribute to the net income generated from the property to your shareholders. You are owned 100% by [REDACTED] an ancillary trustee for [REDACTED] as Master Trustee of the Retirement Plan of [REDACTED] ("Plan"). The Plan, as your parent, is a qualified pension trust under section 401(a) of the Code. However, you do not represent that the individual plans within the Plan have no intervening trusts, nor contain provisions for individual retirement accounts. You are requesting exemption for tax years ending 1996-1999.

You state that you hold title to the property at [REDACTED] in [REDACTED] [REDACTED] indirectly through a partnership interest in [REDACTED] a limited partnership. [REDACTED] in its role as ancillary trustee contributed the funds to you to enable you to purchase the property through your partnership interest. [REDACTED] Investments - [REDACTED] another limited partnership, assigned the interest in the above property to you on [REDACTED].

You received net income of \$ [REDACTED] and \$ [REDACTED] respectively for tax years [REDACTED] and [REDACTED]. Your balance sheet indicates -0- assets and -0- liabilities as of [REDACTED]. We requested your [REDACTED] tax return on [REDACTED] and [REDACTED]. However, you indicated the [REDACTED] has not been located in your warehouse. You submitted a [REDACTED] Corporation Income Tax Return to us with your [REDACTED] response. This

return did not have any activity listed and showed no net income/(loss) nor any balance sheet amounts.

Section 501(c)(2) of the Code provides exempt status for corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under this section. Rules similar to the rules of subparagraph (G) of paragraph (25) shall apply for purposes of this paragraph.

Section 1.501(c)(2)-1 of the Income Tax Regulations provides for corporations organized to hold title to property for exempt organizations, as follows:

(a) A corporation described in section 501(c)(2) and otherwise exempt from tax under section 501(a) is taxable upon its unrelated business taxable income. Since a corporation described in section 501(c)(2) cannot be exempt under section 501(a) if it engages in any business other than that of holding title to property and collecting income therefrom, it cannot have unrelated business taxable income as defined in section 512 other than income which is treated as unrelated business taxable income solely because of the applicability of section 512(a)(3)(C); or debt financed income which is treated as unrelated business taxable income solely because of section 514; or certain interest, annuities, royalties, or rents which are treated as unrelated business taxable income solely because of section 512(b)(3)(B)(ii) or (13).

Section 5.02 of Rev. Proc. 82-27, 1990-1 C.B. 514 provides that exempt status will be recognized in advance of operation 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.

In this area, courts have generally concluded that an applicant bears the burden of proving that it meets the requirements for recognition of exempt status. In a number of cases, courts have affirmed Service rulings denying exemption, for example, when the applicant failed to prove that it did not have a substantial non-exempt purpose. For example, in Levy Family Tribe Foundation v. Commissioner, 657 F.2d 615, 619 (1978), the court stated "The record is replete with unsupported generalizations [that are] too general and lack the facts necessary to establish public, rather than personal, purposes of the organization.

You have failed to establish that you are organized exclusively for the purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under section 501(a) of the Code. Therefore, you have not met your fiduciary burden required under section 501(c)(2).

You only had three years of activities. In your first tax year [REDACTED], you had a substantial gain on the sale of assets totaling [REDACTED] and net income of [REDACTED]. However, you did not provide us with a [REDACTED] Federal return. Furthermore, your [REDACTED] return showed no activity which is a substantial discrepancy from your Form 1024 application. You have failed to establish that you are engaged exclusively in holding title to property and collecting income therefrom pursuant to section 1.501(c)(2)-1 of the regulations. Although you state on your Form 1024 application on page 1 that you filed a Form 990 return to [REDACTED] in [REDACTED], our internal records indicate that you did not file a Form 990 for [REDACTED]. Therefore, since the information provided has not demonstrated that you have met the requirements of section 501(c)(2), we rule that you have failed to establish exemption pursuant to section 5.02 of Rev. Proc. 90-27.

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(2) 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.

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

Internal Revenue Service  
[REDACTED] EO:RA:T:3, 3K3  
1111 Constitution Ave, N.W.  
Washington, D.C. 20224

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

Sincerely,

(signed) Robert C Harper, Jr.  
Robert C. Harper, Jr.  
Manager, Exempt Organizations  
Technical Group 3

	Initiator	Reviewer	Reviewer	Reviewer
Code	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]