

INTERNAL REVENUE SERVICE

DISTRICT DIRECTOR

DEPARTMENT OF THE TREASURY  
2 Cupania Circle  
Monterey Park, CA 91755-7406

Date: DEC 13 1994

Case Number:  
[REDACTED]

Taxpayer Identifying Number:  
[REDACTED]

Contact Person:  
[REDACTED]

Contact Telephone Number:  
[REDACTED]

Dear Applicant:

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

FACTS

The information submitted discloses that you were incorporated under the corporation laws of the State of [REDACTED] on [REDACTED]. Your articles of incorporation state that you were organized "to promote education and knowledge concerning classic cars."

On your Form 1023 regarding your activities and operational information, you state "The primary objective of the foundation is to offer expert advise and historical data of and concerning antique automobiles, their historical place in American history, their current value, and what lies in the future for them... The foundation will select a formal office and base of operation as soon as the certification is received so that major donations of both funds and antique automobiles can be donated to the foundation... As to activities, it is the intent of the foundation to place all of its information on computers and then make it available to all who wish it, a so called 'clearing house' of information."

You use the following activity codes to identify your activities:  
119 -- Other cultural or historical activities,  
123 -- Discussion groups, forums panels lectures, etc., and  
149 -- Other instruction in training.

Sources of financial support shown on your Form 1023 include the following:

-- Most important source of support will be from various friends and supporters of the foundation, including board of directors, who are "antique car bluffs" and who make antique cars and car shows their major hobby and past time. They intend to make several antique cars available for fund raising by means of antique and vintage automobile shows.

Code	Initiator EP/EO:TB:REV:___	Reviewer EP/EO:TB:REV	Reviewer EP/EO:TB	Reviewer EP/EO	Reviewer DD	Reviewer EP/EO:TB:REV
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	DEC 12 1994	12-12-94	DEC 12 1994			

Form 1557 Correspondence Approval and Clearance Department of the Treasury/Internal Revenue Service

- Company sponsors, such as tire, battery, parts manufacturers, gasoline distributors, oil companies, paint manufacturers, after parts suppliers, and other suppliers of parts for these older vehicles.
- Ticket sales for shows, "which is a big business in the United States now."
- Leasing of various antique automobiles for movies, fund raising events, weddings, anniversaries, and similar special events.
- Possible vehicles being donated by private parties who have the same interest in promoting and keeping the spirit of antique and vintage automobiles alive for all future generations.
- Publishing of a "news magazine" and/or a directory, or registrar of antique and vintage automobiles.
- Possible club memberships.
- "As one can see, the possibilities are endless for this type of foundation, especially when the foundation president is quite well known in the field and knows this industry very well."

Per your letter of [REDACTED], you state that you are currently not engaged in any activity aside from organizational activities. You plan to implement your programs in [REDACTED]. The information you collect and disseminate will be provided to "scholarship fund to the students at [REDACTED] and public shows to exhibit classic and antique cars for promotion and historical education." The users of this information will be "Business owners and centers sponsoring such an event will attract new business through the attraction on display in their centers; compare trends of car manufacturer's; history of cars - how they were built and the equipment they have." Furthermore, this information will be different from the ones available in the public library, because you will display the actual cars along with specific information on the features of the automobile to it's era. The automobiles will be open to inspection, which adds a great deal of excitement, over and beyond the information in the library. Your procedures in gathering the information are "Special promotions like Father's Day Show's... we plan to disseminate information and be a resource center for [REDACTED]. We plan to build a museum to create a Collection for historical preservation of Classic Automobiles."

#### ISSUE

Does the organization qualify for exemption under the Code § 501(a) as an organization described in the Code § 501(c)(3)?

#### LAW

Code § 501(c)(3) provides exemption to organizations organized and operated exclusively for charitable, educational, or other exempt purposes.

Income Tax Regulations (hereinafter "Reg.") § 1.501(c)(3)-1(a) provides that in order to be exempt as an organization described in the Code § 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in that section. If an organization fails to meet either the organizational test or the

operational test, it is not exempt.

Revenue Procedure 90-27, § 5.01 states "A ruling or determination letter will be issued to an organization, provided its application and supporting documents establish that it meets the particular requirements of the section under which exemption is claimed. Any oral representation of additional facts or modification of facts as represented or alleged in the application for a ruling or determination letter must be reduced to writing over the signature of an authorized individual."

Revenue Procedure 90-27, § 5.02 states "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."

#### ANALYSIS AND CONCLUSION

You describe many possible activities you may get into. However, you provide no specific information on how you will proceed with each activity, and how each activity will be in furtherance of your stated purposes. In the letter of [REDACTED], you cite a scholarship fund for high school students, however, this was not mentioned in your application.

You failed to fully describe to the satisfaction of the Internal Revenue Service, that the activities in which you expect to engage will be in furtherance of your purposes. Accordingly, you do not meet the operational test as required by Reg. § 1.501(c)(3)-1(c).

Donations to your organization are not deductible by donors under the Code § 170.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement, Form 6018, Consent to Proposed Adverse Action. Please note that the instructions for signing are on the reverse side of the form.

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position

as explained in the enclosed Publication 892. You will then be contacted to arrange for a hearing. The hearing may be held at the office of Regional Director of Appeals, or if you request, at a mutually convenient District Office. A self-addressed envelope is enclosed.

If we do not hear from you within 30 days from the date of this letter, and you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies and will then become our final determination.

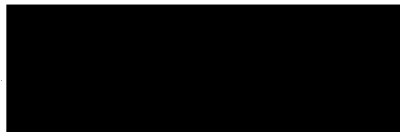
Code § 7428(b)(2) provides, in part, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

You are required to file Federal income tax returns, Form 1120, U.S. Corporate Income Tax Return, annually with your respective Service Center.

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

Thank you for your cooperation.

Sincerely yours,



District Director

Enclosures:  
Publication 892  
Form 6018