

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1580, GPO
Brooklyn, NY 11202

Date: DEC 5 1994

Person to Contact:

Contact Telephone Number:

Refer Reply to:

EO: 7321

Employer Identification
Number:

CERTIFIED MAIL

Dear Taxpayer:

We have considered your application for tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated on [REDACTED] in the Commonwealth of [REDACTED].

The purposes for which the corporation was formed are as follows: "said corporation shall serve, represent and speak for scholars who intend to engage into the study, investigation and research in the science, mathematics, philosophy and application of the [REDACTED] symbolic systems by engaging in the following:

- (1) Foster and sponsor programs to aid scholars to do academic study and scientific research of the [REDACTED] system as an East-West communication system;
- (2) Sponsor publications of refereed research reports and monographs to aid in the scientific and ethical educational of college and university students;
- (3) Publish an International Journal to promote and advance the [REDACTED] System;
- (4) Organize a conference every three years."

The information submitted with your application 1023 indicates that the organization was formed by its founder, [REDACTED]. Based upon four of his research projects, [REDACTED] established the organization and innovated its service mark. The founder will collect all his results of research together and write two books, one in Chinese to be published in [REDACTED] to [REDACTED].

In your attachment to the application 1023 exhibit A, you stated the following:

"Starting [redacted] I initiated my scientific research program with the aim to establish a new mathematical system for applications in science and philosophy and named it the "[redacted]" mathematical system. I coined the new-born word "[redacted]" to cover the names of three ancient Chinese symbolic systems"

Membership is open to any Scholar or person who is interested in the study and research of the [redacted] System, the membership fees will be determined by the Board of Directors of the Academy as soon as the status of the organization is granted.

The Organization's Literature will be published under the name "[redacted]" of which all the founder's works will be donated to the Academy so it can publish them.

On [redacted] a Business Certificate was filed with the Commonwealth of [redacted] declaring that a business under the title of [redacted] is conducted at [redacted]

In response to our inquiry dated [redacted], you stated the following:

1. The only literature that has been published by the [redacted] are a series of articles that have appeared in World Science Magazine. The articles are based on research papers that were presented at various conferences. The articles were all written by the founder, [redacted]
2. The only work currently under consideration for publication is a book authored by [redacted] entitled "[redacted]". This book will combine the articles into book form. It will most likely be printed in both Chinese and English editions.
3. The founder anticipates that publications will first be available to members of the academy. Of course, literature will be made available to libraries, learning institutions and anyone wishing to learn more about the [redacted] system. The publisher will determine how the books are distributed as well as how the sale price will be set.

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

In order to qualify under IRC 501(c)(3), an organization must be both "organized" and "operated" exclusively for one or more purposes specified in that section. If the organization fails to meet either the organizational test or the operational test, it is not exempt. (Regs. 1.501(c)(3)-1(a)(1)). The organizational test relates to the rules for governing an organization and the purposes stated in its articles of organization. The operational test relates to the organization's activities.

Section 1.501(c)(3)-1(c)(1) of the Regulations states that if more than an insubstantial part of an organization's activities is not in furtherance of exempt purposes, the organization will not be regarded as exempt.

In Better Business Bureau v. U.S., 326 U.S. 279 (1945), the Supreme Court stated that the presence of even a single, non-exempt purpose, if more than insubstantial in nature, will defeat exemption under Section 501(c)(3) of the Code, regardless of the manner or importance of the truly exempt purposes.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations provides, in part, that an organization is not organized or operated exclusively for one or more of the purposes mentioned in section 501(c)(3) of the Code unless it serves a public rather than a private interest. An organization may not be exempt if it is operated for the benefit of private individuals.

Section 1.501(c)(3)-1(d)(3) of the Regulations provides, in part, that the term "educational" relates to the instruction of the public on subjects useful to the individual and beneficial to the community. Museums and schools are included in the examples of educational organizations which, if they otherwise meet the requirements of section 501(c)(3) of the Code, may qualify under this section.

Section 1.501(c)(3)-1(d)(5) of the Regulations defines a "scientific" organization as one carrying on scientific research in the public interest; this includes research carried on the purpose of discovering a cure for a disease, research for the purpose of aiding in the scientific education of college or university students, and research for the purpose of obtaining scientific information to be published.

Revenue Ruling 55-231 held that an organization whose primary purpose is to promote the the circulation of books of one of its incorporators and whose activities included distributing books of the designated author to libraries, educational institutions and the public is not organized and operated exclusively for educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954 or for any of the other purposes provided therein.

Like the organization described in Revenue Ruling 55-231, your organization will promote and circulate the books of one of its incorporators, distributing such books to libraries, educational institutions and the public and as such is not operated exclusively for education or other exempt purposes stated in Section 501(c)(3) of the Code. Additionally, you have never established that your publishing activities are exclusively not-for-profit, as distribution and prices would be determined by the publisher of your books.

Accordingly, we conclude that you do not meet the requirements for exempt status section 501(c)(3) of the Code and propose to deny your request for exemption under that section.

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time this determination will be considered final and the appropriate State Officials will be notified.

If 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. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment 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."



District Director

Enclosure: Publication 892