

Internal Revenue Service

District  
Director

Department of the Treasury

P. O. BOX 1868, RPO  
Brooklyn, New York 11238

Date: AUG 17 1987

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL.

Dear Applicant:

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 organized as an unincorporated association on [REDACTED].

Your purposes, as stated in your Constitution, are:

1. To establish and maintain a place of worship.
2. To unite a people of like fellowship and faith in the bonds of brotherly love.
3. To meet together to truly worship God in Spirit and Truth, and to receive spiritual teaching.
4. To point the lost to the Way of Life by publishing the true plan of salvation, exhorting believers to be filled with the Spirit of God.
5. To provide rules of Christian conduct, based on the Word of God.
6. To provide a place of refuge and recreation.

Your income is derived from contributions. Your disbursements are for tapes, literature, booklets, utilities and distribution expense.

Your activities consist of the distribution of teaching tapes and worship songs. Meeting spiritual and personal needs by telephone counseling and holding worship services on Friday nights in the organization's motor home. The motor home is also the residence of the organization's founder and president. The utilities and expenses are provided by the ministry. The use of the motor home by the president is not for services rendered and no 1099 is issued.

Your organization now has [REDACTED] members.

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 IPC 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(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.

An organization will not qualify for exemption under IPC 501(c)(3) if a part of its net earnings inure to the benefit of any private shareholders or individuals. In *The Founding Church of Scientology v. United States*, 412 F. 2d 1197 (Ct. Cl. 1969), cert. den., 397 U.S. 1009 (1970), the court, without considering the organization's beliefs held that it did not qualify for exemption under IPC 501(c)(3) because its net earnings inured to the organization's founder and family. See also, *People of God Community v. Commissioner*, 75 T.C. No. 8 (1980); *Bubbling Well Church of University Love, Inc. v. Commissioner*, 74 T.C. 531 (1980); *Unitary Mission Church of Long Island, Inc. v. Commissioner*, 74 T.C. 507 (1980); *Western Catholic Church v. Commissioner*, 73 T.C. 196 (1979); *The Basic Unit Ministry of Schurig v. U.S.*, 81-1 USTC section 9188 (D.D.C. 1981); *Church of the Transfiguring Spirit, Inc. v. Commissioner*, 76 T.C. 1 (1981).

Like the organizations in the cases cited in the previous paragraph, we have determined that a portion of the net earnings of your organization inure to the benefits of private individuals. The providing of a home and the payment of utility expenses constitutes inurement for the benefit of private individuals.

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

We have also determined that you fail to qualify for exempt status under any other subsection of IPC 501(c).

In your letter received by this office on [REDACTED] you stated you are withdrawing your claim for Church Status previously claimed in your application for exempt status. Form 1023, Part VI. This office has concluded that you do not qualify as a "Church".

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 protest 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 completions.

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."

Sincerely yours,

[REDACTED]  
District Director

Enclosure: Publication 892