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CERTIFIED MAIL

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APR 21 1989

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The information submitted indicates that you were incorporated on [REDACTED] under the laws of the State of [REDACTED].

Your stated purpose is "preparing recorded readings of religious materials for sale on audio cassettes."

Section 501(c)(3) of the Internal Revenue Code exempts from federal income tax organizations which are organized and operated exclusively for charitable, religious, educational, or scientific purposes.

Section 1.501(c)(3)-1 of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1~~(e)(i)~~⁽ⁱⁱ⁾ of the Regulations provides that an organization is not "organized exclusively" for one or more exempt purposes if its Articles of Incorporation expressly empower it to carry on, otherwise than as an insubstantial part of its activities, activities which are not in furtherance of one or more exempt purposes, even though such organization is, by the terms of such articles, created for a purpose that is no broader than the purposes specified in section 501(c)(3) of the Code.

Section 1.501(c)(3)-1(c)(1) of the Regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of the exempt purposes specified in section 501(c)(3) of the Code.

[REDACTED]

An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(e)(1) of the Regulations provides that an organization which is organized and operated for the primary purpose of carrying on an unrelated trade or business is not exempt under section 501(c)(3) even though it has certain religious purposes.

Revenue Ruling 60-351, 1960-2C.B. 169, denied exemption under section 501(c)(3) to an organization whose Articles of Incorporation expressly empowered it to publish a magazine which constituted the primary purpose of the organization, notwithstanding language indicating the organization was organized for charitable, religious, educational, or scientific purposes on a nonprofit basis

The information submitted indicates that your Articles of Incorporation empower the corporation to provide and produce radio, TV, stage, and recorded programs and to work in the area of creating, developing, producing, recording, publishing, distributing, and promoting such programs. It also indicates that the primary purpose of the organization is the operation of a trade or business engaged in the production and distribution of audio cassettes of books with a spiritual or inspirational theme or message.

Accordingly, you do not qualify for exemption from federal income tax under section 501(c)(3) of the Code.

Until you have established an exempt status, you are not relieved on the requirement for filing federal income tax returns.

Section 7428 of the Code provides for bringing suit for a declaratory judgment in the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia with respect to this determination. However, section 7428(b)(2) of the 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."

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the

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enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or, if you request, at any mutually convenient district office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

[REDACTED]

District Director

Enclosure: Publication 892