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[REDACTED]

JUL 10 1984

CERTIFIED MAIL

Ladies and Gentlemen:

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

The data submitted discloses that you were incorporated on [REDACTED] under the laws of the State of [REDACTED]. Your stated purpose is to provide transportation to parties desiring said transportation from [REDACTED] to employment facilities in [REDACTED] at economic prices.

Your sole activity is transporting individuals to and from work in a minibus for which a fee is charged. The officers of the organization drive, clean and maintain the bus. Your only financial support is derived from monthly fees from your riders. The fees received are used for gasoline, insurance, maintenance and a sinking depreciation fund.

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

Section 1.501(a)-1(c) of the regulations defines private shareholder or individuals as persons having private interest in the activities of the organization.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provide that an organization is not organized and operated exclusively for charitable, religious and educational purposes unless it serves a public rather than a private purpose.

In Revenue Ruling 77-246, 1977 CB2, 190, bus transportation was provided for senior citizens and handicapped persons in a community where public transportation was unavailable or

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inadequate. It was held that providing the elderly and handicapped with necessary transportation within the community is an activity directed towards meeting the special need of these charitable classes of individuals. The organization was providing relief for the distressed, a charitable purpose.

In Revenue Ruling 69-175, 1969-1 C.B. 149, a non-profit organization formed by parents of pupils attending a private school that provides school bus transportation for the members' children was held to serve a private rather than a public interest, and did not qualify for exemption.

Similarly, Revenue Ruling 55-311, 1955-1 C.B. page 292 denied exemption to a vanpool formed for the convenience of its members for transportation to and from work.

On the basis of the evidence presented we find that you are not operating exclusively for exempt purposes under Section 501(c)(3) since you serve the private interests of your riders rather than a public benefit.

We have concluded you are not an organization described in Section 501(c)(3) of the Code because your organization serves private interests. Contributions made to your organization are not deductible.

You are therefore required to file Federal income tax returns on Form 1120. Also the appropriate state officials will be routinely notified of this action in accordance with Section 6104(c) of the Code.

If you do not accept our findings, we recommend that you request for 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 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.

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

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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."

Sincerely yours,

[REDACTED]
District Director

Enclosure: Publication 892