

Internal Revenue Service
Regional Commissioner

Department of the Treasury

Date:

APR 04 1983

Employer Identification Number:

Form Number:

1120

Tax Years:

FYE [REDACTED] and subsequent years

Key District:

Person to Contact:

Contact Telephone Number:

Gentlemen:

This is a final adverse determination as to your exempt status under section 501(c)(3) of the Internal Revenue Code.

Our adverse determination was made for the following reason(s):

You are not operated exclusively for one or more exempt purposes. A substantial part of your activities is the provision of services on a commercial basis.

Contributions to your organization are not deductible under Code section 170.

You are required to file Federal income tax returns on the form indicated above. Based on the financial information you furnished, it appears that returns should be filed for the above years. You should file these returns with your key District Director, EP/EO Division, within 30 days from the date of this letter, unless a request for an extension of time is granted. Processing of income tax returns and assessment of any taxes due will not be delayed because you have filed a petition for declaratory judgment under Code section 7428. You should file returns for later tax years with the appropriate service center shown in the instructions for those returns.

If you decide to contest this determination under the declaratory judgment provisions of Code section 7428, a petition to the United States Tax Court, the United States Court of Claims, or the district court of the United States for the District of Columbia must be filed within 90 days from the date this determination was mailed to you. Contact the clerk of the appropriate court for rules for filing petitions for declaratory judgment.

(over)

We will notify the appropriate State officials of this action, as required by Code section 6104(c).

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

Sincerely yours,



Chief, Appeals Office

cc:



[Redacted]

[Redacted]

[Redacted]

[Redacted]

NOV 19 1991

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 discloses that you were incorporated under the nonprofit corporation laws of the State of [Redacted] on [Redacted].

You are organized exclusively to conduct educational activities and engage in the preparation of educational resources in diverse media, and to transact the business of promoting and developing the use of said educational resources, by or through other corporations, partnerships or individuals.

Your activities consist of providing workshops and seminars for colleges and universities in the broad area of professional development. Topics include cognitive and interpersonal learning styles, faculty teaching styles, instructional methodology, alternate instructional techniques, student motivation, departmental and institutional decision making and institutional planning. You also offer occasional seminars and workshops to non-academic organizations on issues relating to individual and group effectiveness, problem solving, decision making, and interpersonal communication. You submitted a brochure for [Redacted] which showed some of the workshops held. These workshops were held prior to the date of your incorporation. In addition, your activities also include consulting services for a fee. You stated that only 15-20 percent of your time is spent on consulting directly with a client institution. Consultations may take place as a consequence of a relationship established at a seminar or workshop or direct contact with your organization. The fees range from \$[Redacted] to \$[Redacted] per day. You stated that these fees are approximately [Redacted] to [Redacted] percent lower than those charged by commercial consulting firms.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Summary	[Redacted]						
Date	11/6/91						

[REDACTED]

Of your total income (\$[REDACTED]) received in [REDACTED], [REDACTED] was derived from consultant fees and consultant reimbursements, and \$[REDACTED] from your workshops. Your expenditures for [REDACTED] were allocated as follows: \$[REDACTED] for consultant fees; \$[REDACTED] for consultant expenses; \$[REDACTED] for direct consulting expense; \$[REDACTED] for workshop consultant fees; \$[REDACTED] for workshop consultant expense; \$[REDACTED] for consulting services project; \$[REDACTED] for workshop expenses; and \$[REDACTED] for office expenses. \$[REDACTED] out of a total of \$[REDACTED] were paid to your consultants.

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

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

Section 1.501(c)(3)-1(c)(1) of the regulations states that an organization will be regarded as "operated exclusively" for one or more exempt purposes when it engages primarily in activities which accomplish one or more of the exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

The presence of even a single, non-exempt purpose, if more than insubstantial in nature, will defeat exemption under Code section 501(c)(3), regardless of the number or importance of truly exempt purposes. (See *Better Business Bureau v. U.S.*, 326 U.S. 279 (1945), *CT.D.* 1650, 1945 CB 375.)

Revenue Ruling 72-369, C.B. 1972-2, 245 holds that an organization forced to provide managerial and consulting services at cost to unrelated exempt organizations does not qualify for exemption under section 501(c)(3) of the Code. It further states, in part, as follows:

An organization is not exempt merely because its operations are not conducted for the purpose of producing a profit. To satisfy the "operational test" the organization's resources must be devoted to purposes that qualify as exclusively charitable within the meaning of section 501(c)(3) of the Code and applicable regulations.

Providing managerial and consulting services on a regular basis for a fee is trade or business ordinarily carried on for profit. The fact that the services in this case are provided at cost and solely for exempt organizations is not sufficient to characterize this activity as charitable within the meaning of section 501(c)(3) of the Code. Furnishing the services at cost lacks the positive element necessary to establish this activity as charitable.

Based on the information submitted, we conclude that a substantial part of your activities is providing consulting services in a manner similar to the organization described in the above revenue ruling. The workshops held this far although held prior to your incorporation date, may come within the purview of section 501(c)(3) as being an educational or charitable activity if the consulting services were not conducted and should you continue to hold workshops of similar nature.

Accordingly, it is held that you are not entitled to recognition of exemption from Federal income tax under section 501(c)(3) of the Code. You are required to file Federal income tax returns on Form 1120 for each year you have been in existence.

Contributions to you are not deductible under section 170 of the Code.

If you accept our findings, you do not need to take further action.

