

[REDACTED]

[REDACTED]

[REDACTED]

DEC 1 1980

Gentlemen:

We have completed our consideration of your application for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

You were incorporated [REDACTED], under the [REDACTED] Non-Profit Corporation Act to promote, record, manufacture, and distribute religious songs and music of all denominations of Christian belief.

Present activities include promoting Christian music concerts in the community, recording the concerts and selling copies, and recording the Christian music of local musical groups. You are currently establishing a recording studio and in the future you hope to begin publishing music, record pressing, and record album promotion. At that point in your operations, you assume that you would no longer be a non-profit organization.

You usually charge [REDACTED] for attendance at your concerts and you state that charges for tapes, studio rental, and music publishing will be based on your cost plus [REDACTED] percent. Copyrights on the materials you publish will be jointly owned by you and the artist. Any royalties from the sale of material published by you are to be divided equally between you and the artist.

Section 501(c)(3) of the Code provides exemption for:

Corporations...organized and operated exclusively for religious, charitable, educational purposes,...no part of the net earnings of such corporation to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(c)(1) of the Income Tax 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 such exempt purposes specified in section 501(c)(3)..."

Although your activities may indirectly promote a religious purpose to a limited extent, the general character of your operation is that of a commercial publishing house and recording studio that caters to religious customers. Your activities of promoting and publishing the works of various artists do not appear to further any particular religious beliefs of your own. You will be selling your products and services above cost and it appears you could receive substantial royalty income from the sale of materials that you publish. Furthermore, you hope to expand your operation in the future to the point where you would no longer be a non-profit organization.

Therefore, we have determined that your activities do not primarily further an exempt purpose. Accordingly, since you fail to meet the operational test of Internal Revenue Code section 501(c)(3), tax exemption is denied.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If we do not hear from you within 30 days, this letter will be our *final* determination in the matter.

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 7429(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 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."

████████████████████

If this determination letter becomes a final determination, we will notify the appropriate State Officials, as required by section 6104(c) of the Code, that based on the information we have, we are unable to recognize you as an organization of the type described in Code section 501(c)(3).

Sincerely,

████████████████████
District Director

Enclosure:
Publication 892
Form 6018