

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

AUG 29 1989

EIN: [REDACTED]
Key District: [REDACTED]

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.

The information submitted indicates that you were incorporated as a non-profit corporation on [REDACTED] for the purpose of providing medical care and benefits to low income individuals and to conduct studies on the health problems of low income persons under the age of 21. Your Articles of Incorporation provide that you are organized exclusively for section 501(c)(3) purposes.

The [REDACTED] program is required to maintain a medical facility to provide participants with basic clinical services and to refer patients to specialists when necessary. [REDACTED] corporation currently has a contract with the [REDACTED] to provide medical services to the participants of the Job Corps program. [REDACTED], a for-profit corporation, is owned [REDACTED] by [REDACTED] who is one of your directors. [REDACTED] offers medical, psychological and psychiatric Services.

Your by-laws provide that the corporation shall have [REDACTED] directors. Directors may receive compensation for expenses incurred in attending Directors meetings and in performance of their regular duties for the corporation. The by-laws provide that not more than [REDACTED] of the persons serving on the Board may be "interested persons." [REDACTED] currently receives \$[REDACTED] annual compensation from you.

You intend to use the Job Corp facilities to provide expanded medical and psychological services to the participants of the Job Corps program. Your program would include referring participants to specialists at the [REDACTED] or to

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Surname [REDACTED]

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[REDACTED]

other medical professionals as the situations indicates. You also plan a research project concerning why Job Corps participants fail to keep subsidized off-site medical appointments. The focus on the research will be on the clinic from which they were referred and on the patients themselves.

You state that the initial contact with new patients will be made with you. You will refer all services required under the Jobs Corps program to [REDACTED]. You will provide services for which the Jobs Corps contract will not provide compensation to [REDACTED].

Section 501(c)(3) of the Code states that no part of the net earnings may inure to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a) of the Income Tax Regulations states, in part, that if an organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(b)(4) of the regulations states, in part, that an organization is not organized exclusively for exempt purposes unless its activities are dedicated to an exempt purpose.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations state that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, it is necessary for an organization to establish that it is not organized, or operated for the benefit of private interest such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interest.

Rev. Rul. 81-94, 1981-1 C.B. 330, held that a nonprofit corporation that operates to serve the private interest of a designated individual is not operated exclusively for religious or charitable purposes. Therefore, it does not qualify for exemption from federal income tax under section 501(c)(3) of the Code.

Rev. Rul. 69-266, 1969-1 C.B. 151, provides that an organization formed and controlled by a doctor of medicine, "hired" to conduct research programs consisting of examining and treating patients who are charged the prevailing fees for services rendered, is not exempt under section 501(c)(3) of the

Code.

Under the facts described above, you serve the private interests of [REDACTED]. [REDACTED] not only receives a salary from you for providing medical services, but also is an employee and owner of a for-profit corporation providing medical services to the same individuals. In addition, you intend to refer patients to the for-profit corporation owned by [REDACTED].

Since you are operating for the private benefit of [REDACTED], you cannot qualify for exemption under section 501(c)(3) of the Code.

Accordingly, we have concluded that you are neither organized nor operated exclusively for exempt purposes and are not entitled to exemption under section 501(c)(3) of the Code.

Donors may not deduct contributions to you under section 170 of the Code. You are required to file federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have the right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If you do not protest this proposed ruling 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 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 we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key

[Redacted]

District Director. Thereafter, any questions about your federal income tax status should be addressed to that office. The appropriate State officials will be notified of this action in accordance with section 6104(c) of the Code.

Sincerely yours,

(Signed) [Redacted]

[Redacted]
Chief, Exempt Organizations
Rulings Branch 2

bcc: [Redacted]

bcc: State Officials, [Redacted]

bcc: [Redacted]

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Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[Redacted]	[Redacted]					
Surname	[Redacted]	[Redacted]					
Date	8-28-89	8-28-89					