

Internal Revenue Service

District  
Director

Department of the Treasury

P.O. Box 2508  
Cincinnati, OH 45201

Person to Contact:

Telephone Number:

Refer Reply to:

EP/EO

Employer Identification Number:

Date: MAY 01 1992

Dear Sir or Madam:


We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1041 if you are a trust or Form 1120 if you are a corporation or an unincorporated association. Contributions to you are not deductible under section 170 of the Code.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.



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 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 the time specified, this will become our final determination. In that event, appropriate State officials will be notified of this action in accordance with the provisions of section 6104(c) of the Code.

Sincerely yours,



District Director

Enclosures: 3

ENCLOSURE I

[REDACTED]

A review of your application and subsequent correspondence states that you were incorporated in the State of [REDACTED] on [REDACTED] [REDACTED]. You were formed to further interests of Christian evangelism and Christian spiritual growth by utilizing music ministry as your focal points.

You have [REDACTED] interdependent divisions: [REDACTED] [REDACTED] [REDACTED]

[REDACTED] provides professional assistance to Christian music artists. Specific activities of this division include sound reinforcement for Christian events, engagement booking and managerial assistance for Christian artists, Christian music disc jockeys for youth events and Christian assemblies, sound system design consulting for churches and ministries, and live production for Christian events.

You devote a total of [REDACTED] percent of your time and resources to [REDACTED]. This includes [REDACTED] percent on engagement booking, [REDACTED] percent on managerial assistance, [REDACTED] percent on disc jockey programs, [REDACTED] percent on sound system design consulting, and [REDACTED] percent on live production.

[REDACTED] handles business and ministerial functions of the Christian rock group, [REDACTED]. Activities of [REDACTED] include bookkeeping, clerical duties, response to information inquiries pertaining to [REDACTED] members or [REDACTED]'s ministry, and product design and inventory control for promotional items.

You devote a total of [REDACTED] percent of your time and resources to [REDACTED]. This includes [REDACTED] percent on [REDACTED] product design, [REDACTED] percent on [REDACTED] product inventory, [REDACTED] percent on tours, and [REDACTED] percent on preparation and rehearsal.

[REDACTED] is not an exempt organization. Two of your officers, [REDACTED] and [REDACTED] are members of the rock group, [REDACTED].

[REDACTED] organizes Bible studies, prayer meetings, and campus outreach programs focusing on evangelism and Christian discipleship. It provides various churches with youth camp assistance which may include music ministry, youth counsel and planning assistance.

Under [REDACTED], you also provide musicians, equipment and sound reinforcement to youth camps and campus outreach.

[REDACTED]

You devote [REDACTED] percent of your time and resources to [REDACTED]. This includes [REDACTED] percent on campus ministries, [REDACTED] percent on summer youth camps and [REDACTED] percent on prayer meetings.

You devote the remaining [REDACTED] percent of your time and resources to fundraising and other organizing functions. This includes [REDACTED] percent on [REDACTED], [REDACTED] percent on outgoing support programs, and [REDACTED] percent on general business.

[REDACTED] is a fundraising program where volunteers communicate with supporters on a monthly basis. [REDACTED] volunteers telephone potential promoters to discuss possible ministry venues and send promotional material for their revue. You also place fliers in area Christian bookstores and retail outlets. Your literature contains booking advertising for artists.

[REDACTED] is currently the only division with an active fee schedule. [REDACTED] does not at this time require a fee schedule. You indicate that [REDACTED] is currently using billing schedule of [REDACTED].

Artists are required to sign contracts for different services. The contract term is good for one year. There are contracts for booking, booking and management, engagement production, solo artists, and [REDACTED] personal services.

When signing a service contract for booking, an artist allows [REDACTED] to be his or her exclusive booking agent and representative. [REDACTED] also has the right to use or to permit others to use artist's name and likeness in advertisements relating to the artist's services and appearances. [REDACTED] will negotiate terms of engagements for artists and receive contracts of employment for artists in the form of signed offers from contracts.

Artists agree to pay [REDACTED], as and when received by artists, a sum of [REDACTED] percent of the agreed upon guarantee and/or love offering. Artists must pay said compensation within 10 business days of the engagement.

When signing a service contract for booking and management, an artist allows [REDACTED] to be his or her exclusive booking agent throughout the United States, with respect to artist's services, appearances, and endeavors of live performance engagements.

Artists agree to pay [REDACTED] percent of the agreed upon guarantee and/or love offering. Artists must pay said compensation within 10 business days of the engagement.

[REDACTED]

Artists who utilize your booking and management services also pay for business expenses incurred such as postage, long distance telephone calls, printed materials, audio, duplications, etc.

The artists you serve are semi-professional and generally have prior experience in their field of performance.

Beside booking and management fees, you also charge fees for disc jockey programs, sound reinforcement, live production, and sound system design consulting based on the number of people attending the engagement.

Parties utilizing disc jockeys for Christian events will be charged as follows:

- a. A party of less than [REDACTED] persons will be charged \$[REDACTED].
- b. A party of [REDACTED] to [REDACTED] persons will be charged \$[REDACTED].
- c. A party of [REDACTED] to [REDACTED] persons will be charged \$[REDACTED].
- d. A party of [REDACTED] to [REDACTED] persons will be charged \$[REDACTED].
- e. A party of more than [REDACTED] persons will be charged \$[REDACTED].

Parties utilizing sound reinforcement will be assessed a fee as follows:

- a. A party of less than [REDACTED] persons will be charged \$[REDACTED].
- b. A party of [REDACTED] to [REDACTED] persons will be charged \$[REDACTED].
- c. A party of [REDACTED] to [REDACTED] persons will be charged \$[REDACTED].
- d. A party of [REDACTED] to [REDACTED] persons will be charged \$[REDACTED].
- e. A party of more than [REDACTED] persons will be charged \$[REDACTED].

Parties utilizing live production for Christian events will be charged as follows:

- a. A party of less than [REDACTED] persons will be charged \$[REDACTED].
- b. A party of [REDACTED] to [REDACTED] persons will be charged \$[REDACTED].
- c. A party of [REDACTED] to [REDACTED] persons will be charged \$[REDACTED].
- d. A party of [REDACTED] to [REDACTED] persons will be charged \$[REDACTED].
- e. A party of more than [REDACTED] persons will be charged \$[REDACTED].

[REDACTED]

Live production may include, but is not limited to stage lighting systems, sound systems/reinforcement, and booking of Christian artists for engagement and productions.

fees for sound system design consulting for churches and ministries will be charged as follows:

- a. A fee of \$ [REDACTED] will be charged in the [REDACTED] Metro area.
- b. A fee of \$ [REDACTED] will be charged within 100 miles.
- c. A fee of \$ [REDACTED] will be charged beyond 100 miles in [REDACTED].

You also receive income from product and promotional items. Fees will be charged as follows:

- a. A T-shirt is \$ [REDACTED].
- b. A button is \$ [REDACTED].
- c. A promotional photograph is \$ [REDACTED].
- d. Recorded material is \$ [REDACTED].

Your proposed budgets show [REDACTED] and [REDACTED] percent of your income will be paid to your officer(s) in [REDACTED] and [REDACTED] respectively. Your paid officer or officers are responsible for the activities of [REDACTED], [REDACTED], [REDACTED], [REDACTED] and the general business of the organization.

Section 501(c)(3) of the Code provides, in part, for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, religious or 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 Regulations states that in order to qualify under section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either the organizational or operational test, it is not exempt.

Section 1.501(c)(3)-1(a)(2) of the Regulations states that the term "exempt purpose or purposes", means any purpose or purposes specified in section 501(c)(3) of the Code.

[REDACTED]

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 only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code. 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(d)(1)(ii) of the Regulations states that an organization is not operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

Revenue Ruling 66-46, 1966-1 C.B. 133, states a nonprofit organization which is formed to promote public appreciation of group harmony singing and to educate its members and the general public in this type of music is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

That organization's activities consist of frequent meetings of members where they receive training and instruction in vocal harmony and opportunities to practice under trained supervision.

Revenue Ruling 66-178, 1966-1 C.B. 138, states a nonprofit organization created to foster and develop the arts by sponsoring a public art exhibit at which the works of unknown but promising artists are selected by a panel of qualified judges for viewing and are gratuitously displayed is exempt from Federal income tax under section 501(c)(3) of the Code.

Revenue Ruling 67-392, 1967-2 C.B. 191, states a nonprofit organization which encourages and promotes the advancement of young musical artists by conducting weekly workshops, sponsoring public concerts by the artists, and securing paid engagements for the artists, to improve their professional standing may be exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Its concerts are designed to introduce the artists to the public. Artists are not required to pay a fee for this service.

That organization also sponsors an annual public art exhibit at which works of unknown but promising artists are displayed. Artists eligible to have their works displayed are those who are not affiliated with art galleries and who have no medium for exhibiting their creations. The organization does not charge the artists any fees for the privilege of having their works displayed. Nor does the organization sell or offer the displayed works for sale.

Revenue Ruling 72-369, 1972-2 C.B. 245, states that an organization formed 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.

The ruling further states that providing managerial and consulting services on a regular basis for a fee is carrying on a trade or business ordinarily carried on for profit.

Revenue Ruling 75-471, 1975-2 C.B. 207, states a nonprofit organization formed to promote the art of filmmaking by conducting annual festivals to provide unknown independent filmmakers with opportunities to display their films and by sponsoring symposiums on filmmaking qualifies for exemption under section 501(c)(3) of the Code.

Many of the persons who submit films are students of filmmaking at various universities. The board generally rejects films that have clear commercial overtones and are likely to appeal to commercial film distribution companies. The organization does not sell films shown at the festivals. Also, it does not encourage or participate in any negotiations for commercial exploitation of the films.

The organization conducts symposiums that are designed to educate the public, students of films, and aspiring filmmakers in new techniques and artistic developments in the film industry. These symposiums are open to the general public and consist of lectures and discussions conducted by persons with established and recognized expertise as filmmakers and by the makers of the films shown at the festivals.

Revenue Ruling 76-152, C.B. 1976-1, 151, states a nonprofit organization formed by art patrons to promote community understanding of modern art trends by selecting for exhibit, exhibiting, and selling art works of local artists, retaining a commission on sales less than customary commercial charges and not sufficient to cover the cost of operating the gallery, does not qualify for exemption under section 501(c)(3) of the Code.

Unlike organizations discussed in Revenue Rulings 66-46, 66-178, 67-392, and 75-471, you do not provide any training, workshops or symposiums to educate the unknown artists on concert techniques. Musical artists or organizations who utilize your services are required to pay a fee based on the percentage of income collected by artists or based on the number of people attending the engagement. And the artists you serve are semi-professional and have prior experience in their field of performance.



[REDACTED]

You are similar to organizations discussed in Revenue Rulings 72-369 and 76-152. Individuals or organizations utilizing your services are required to pay a fee. Your service fees are similar to fees or commissions retained by the organizations discussed in these two cited rulings. This makes you competitive with for-profit entities. Your activities also provide private benefits to individual artists and [REDACTED].

An organization set up for the benefit of private individuals, even though they have religious intentions, cannot qualify for exemption under any section of the Internal Revenue Code.

Providing booking, management, consulting, sound reinforcement, light system, or disc jockey services for a fee based on the percentage of income collected by artists or based on the number of people attending the engagement is not an exempt activity described under section 501(c)(3) of the Code. These services can be conducted by a for-profit agent.

Your main activity is to provide booking, management, consulting, etc. for Christian music artists as discussed above. Your bible studies, prayer meetings and youth camp are your secondary activities. Therefore your primary purpose is to conduct a business in the music industry and religious purpose is incidental to your total activities.

Therefore, we conclude that you do not meet the requirements to qualify for exemption under section 501(c)(3) or any other sections of the Internal Revenue Code.

This is a denial letter.