Internal Revenue Service

[illegible]ment of the Treasury

[illegible]
Director

[illegible] Ave., Seattle, W[illegible] 98[illegible]

[redacted]

[illegible] Contact
[redacted]
[illegible] Number
[redacted]
[illegible]ply to:
[redacted]

NOV 29 1984

Dear Applicant:

We have considered your application for [illegible]emption from Federal income tax as an organization described in section [illegible](c)(3) of the Internal Revenue Code of 1954.

The information submitted discloses that [illegible]u were incorporated under the nonprofit corporation laws of the State of [redacted] on [redacted]

You are organized exclusively for charitable, scientific, and educational purposes within the meaning of section 501(c)(3), including the promotion of scientific research and development concerning the use of agricultural products in the manufacture [illegible]nthetic fuels, and the solicitation, receipt, administration, an[illegible] [illegible]stribution of funds for general scientific, literary, educational and charitable purposes.

You have established a library consisting of materials concerning the development of alternative energy sources in connection with agriculture products and facilities. Your project plans include the building of a wood generator, a fuel-alcohol still, windmill generator, small scale hydro electric generator, several solar generators, steam generator and alcohol distillation equipment.

Your first project, a wood-gas generator, will be built from design plans purchased from [redacted]. The project will be completed by [redacted], founder and director of your corporation, and other interested individuals. Your other projects will be purchased completed from the manufacturers. There is a possibility of selling off completed projects as a way to raise capital for future projects.

Each project is determined by your Board. Results of any experiments are made available to the public through newspapers, magazines, etc. The corporation will maintain absolute control to any patents, copyrights, processes, or formulacs resulting from any research done.

Your income will be derived from donations and grants. Your expenses will be for necessary supplies for operating expenses and other necessary reseach and demonstration project.

In order for an organization to qualify for exemption from Federal income tax as an organization described in section 501(c)(3) of the Code of 1954, it must be both organized and operated exclusively for any one or more of the purposes set forth in that section of the law.

The Income Tax Regulations applicable to [illegible] 501(c)(3) of the Code provide that an organization must be both organi[illegible] and operated exclusively for one or more of the purposes specified in that [illegible]ion. If it fails to meet either the organizational or the operational te[illegible] it is not within the purview of the statutes.

Section 1.501(c)(3)-1(d)(1)(ii) of the Inc[illegible] Tax Regulations provides that an organization must be engaged in activitie[illegible] furthering public purposes rather than private interests to qualify for exem[illegible]on under section 501(c)(3) of the Code.

Section 1.501(c)(3)-1(d)(5)(i) of the Income Tax Regulations states that the determination as to whether research is "scientific" does not depend on whether such research is classified as "fundamental" or "basic" as contrasted with "applied" or "practical". This section further states that the term "scientific" as used in section 501(c)(3) of the Code includes the carrying on of scientific research in the public interest.

Section 1.501(c)(3)-1(d)5(ii) of the regulations states that scientific research does not include activities of a type ordinarily carried on as an incident to commercial or industrial operations, as, for example, the ordinary testing or inspection of materials or products or the designing or construction of equipment buildings, etc.

Section 1.501(c)(3)-1(d)(5)(iii) of the regulations sets forth certain areas in which scientific research will be regarded as carried on in the public interest.

Section 1.501(c)(5)-1(d)(5)(iii)(c) of the regulations includes as research carried on in the public interest research which is directed toward benefiting the public.

Section 1.501(c)(3)-1(d)(5)(iv) states that an organization will not be regarded as organized and operated for the purpose of carrying on scientific research in the public interest if such organization retains (directly or indirectly) the ownership or control of more than an insubstantial portion of the patents, copyrights, processes, or formulae resulting from its research and does not make such patents, copyrights, processes or formulae available to the public.

Based on the information submitted, you stated that [illegible] corporation will have absolute control of any patents, copyrights, processes, or formulae resulting from any research done. Therefore, your scientific research is not carried on in the public interest. In addition, we cannot ascertain how your operations, overall, are of any public benefit since what you're basically doing is securing your projects directly from a [illegible], constructing it, and performing studies which appear to be of interest to few or designated individuals.

It is our determination that you a[illegible] operated exclusively for one or more exempt purposes and, therefore, you not entitled to exemption from Federal income tax as an organization descr[illegible] in section 501(c)(3) of the Code.

Contributions made to you are not [illegible]ductible by the donors as charitable contributions as defined in section [illegible] of the Code.

As provided by section 6104(c) of t[illegible] Internal Revenue Code of 1954 and the applicable regulations, the appropri[illegible] State officials are being notified of our determination.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement Form 6018. Please note the instructions for signing on the reverse side of this form.

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing 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 hearing. The hearing may be held at the office of Regional Director of Appeals or, if you request, at a mutually convenient District Office. A self-addressed envelope is enclosed.

If we do not hear from you within 30 days from the date of this letter, and 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 and will then become our final determination. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgement 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."

Sincerely yours,

District Director

Enclosures:
Publication 892
Form 6018