

General

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

30 MAR 1982

EIN: [REDACTED]

Gentlemen:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(4) 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].

The specific and primary purpose of your organization is to act as an independent political action committee and to collect contributions from labor organizations, businesses, trade associations, other P.A.C.S. and various individuals; to make expenditures in the form of:

- ... "a. expending money to influence the selection, nomination, election, or appointment of any individual to any Federal, State, or local public office or office in a political organization, or the election of Presidential or Vice Presidential electors which reside in any state west of the [REDACTED];
- b. expending money to inform the public in the "[REDACTED]" of all sides of political issues and to do so through any and all channels of the media including television, radio, magazine, and newspaper;
- c. to make contributions and/or transfers to various political action committees and [REDACTED] state parties in the "[REDACTED]";
- d. to pay all administrative expenses including salaries of the officers, directors fees, cost of office supplies, rent of office space or lease of office space, cost of transportation and travel related to activities of [REDACTED], cost of communications related to activities of [REDACTED]; and

- [REDACTED]
- e. to use any positive net income or excess funds for purposes described above."

Section 501(c) of the Internal Revenue Code of 1954 describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

"(4) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes."

The Internal Revenue Service takes the position that in order for an organization to qualify for exemption from Federal income tax as a social welfare organization described in section 501(c)(4) of the Code, it must be primarily engaged in promoting in some way the common good and general welfare of the community as a whole.

The Income Tax Regulations section 1.501(c)(4)-1(a) states that a civic league or organization described in section 501(c)(4) may be exempt if it is not organized or operated for profit and it is operated exclusively for the promotion of social welfare. The Regulations describe social welfare activities as promoting in some way the common good and general welfare of the people of the community. An organization coming within the purview of this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Section 1.501(c)(4)-1(a)(2)(ii) of the Income Tax Regulations provides:

"The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office."

In Revenue Ruling 67-368, 1967-2 C.B., 194, an organization whose primary activity was rating candidates for public office was held not exempt under IRC 501(c)(4). Comparative rating of candidates, even though on a nonpartisan basis, is participation or intervention on behalf of those candidates favorably rated and opposition to those less favorably rated. Because this was the organization's primary activity, the organization was not operated exclusively for the promotion of social welfare.

After careful consideration of the evidence submitted, we have concluded that you are not primarily engaged in promoting the common good and general welfare of the people of the community and, therefore, you are not operating exclusively for the promotion of social welfare.

Accordingly, we hold that you do not qualify for exemption from Federal income tax as a social welfare organization described in section 501(c)(4) of the Internal Revenue Code of 1954.

Section 527(a) of the Code provides that a political organization shall be subject to taxation under this subtitle only to the extent provided in this section. A political organization shall be considered an organization exempt from income taxes for the purpose of any law which refers to an organization exempt from income taxes.

Section 527(e)(1) of the Code provides that the term "political organization" means a party, committee, association, fund, or other organization (whether or not incorporated) organized and operated primarily for the purpose of directly or indirectly accepting contributions or making expenditures, or both, for an exempt function.

Section 527(e)(2) of the Code provides that the term "exempt function" means the function of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any Federal, State, or local public office or office in a political organization, or the election of Presidential or Vice-Presidential electors, whether or not such individuals or electors are selected, nominated, elected or appointed.

Section 527(f)(3) of the Code provides that, for purposes of this subsection and subsection (e)(1), a separate segregated fund (within the meaning of section 610 of title 18 or of any similar State statute, or within the meaning of any State statute which permits the segregation of dues moneys for exempt functions (within the meaning of subsection (e)(2)) which is maintained by an organization described in section 501(c) which is exempt from tax under section 501(a) shall be treated as a separate organization.

Based upon the information and documents submitted, we conclude that your organization is a "political organization" within the meaning of section 527(e) of the Code, provide that it operates primarily for the purpose of directly or indirectly accepting contributions or making expenditures, or both, for an exempt function within the meaning of section 527(e)(2) of the Code.

You have the right to protest this determination if you believe it is incorrect. Protest instructions are contained in Publication 892 enclosed. If we do not hear from you within the time specified, this letter will become our final determination in this matter.

If you agree to the adverse action shown above, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action, within ten days of this letter. You should retain a copy for your record.

[REDACTED]

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

Sincerely yours,

District Director

Enclosures:
Publication 592
Form 5010