

Church; operated for benefit of founder. A "church" that was formed by a professional nurse (who is also the "church's" minister, director, and principal officer) and that is used primarily as a vehicle for handling the nurse's personal financial transactions is not exempt from tax under section 501(c)(3) of the Code.

ISSUE

Is the nonprofit corporation described below exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code?

FACTS

The corporation's articles of incorporation provide that it is organized exclusively for religious and charitable purposes, including a religious mission of healing of the spirit, mind, emotions, and body. The corporation was founded under the name of ABC Church by a professional nurse who holds a "certificate of ordination" purchased from an organization selling such certificates and church charters. The nurse is the corporation's minister, director, and principal officer. The nurse maintains full-time employment with a third-party employer having no connection with the corporation.

Pursuant to a vow of poverty, the nurse transferred all of the nurse's assets, including the nurse's house and automobile, to the corporation. All salary payments received from the third-party employer are deposited in a bank account maintained in the name of the corporation. In return, all of the nurse's existing liabilities, such as a home mortgage and all outstanding credit card balances, were assumed by the corporation. The nurse is also provided with a full living allowance sufficient to maintain or improve the nurse's previous standard of living. The corporation permits the nurse to use the house and automobile for personal purposes.

LAW AND ANALYSIS

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations organized and operated exclusively for religious or charitable purposes, no part of the net earnings of which inure to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations provides that an organization is not organized or operated exclusively for any of the purposes specified in section 501(c)(3) of the Code unless it serves a public rather than a private interest. Thus, to qualify under section 501(c)(3), an organization must establish that it is not organized or operated

for the benefit of private interests such as designated individuals, the creator or the creator's family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Under the facts described above, the corporation serves as a vehicle for handling the nurse's personal financial transactions in the name of the ABC Church. Thus, the corporation operates to serve the private interests of a designated individual rather than a public interest. See *Basic Bible Church v. Commissioner*, 74 T.C. 846 (1980); *The Southern-Church of Universal Brotherhood Assembled, Inc. v. Commissioner*, 74 T.C. 1223 (1980); *Rev. Rul. 69-266*, 1969-1 C.B. 151. See also *Manson v. Commissioner*, T.C.M. 1980-315; *Lynch v. Commissioner*, T.C.M. 1980-464; *Pusch v. Commissioner*, T.C.M. 1980-4, *aff'd*, 628 F.2d 1353 (5th Cir. 1980); *Abney v. Commissioner*, T.C.M. 1980-27, appeal docketed (9th Cir., Oct. 14, 1980).

For a situation involving the denial of a charitable contribution deduction under section 170 of the Code for amounts contributed by an individual to an organization formed under the name of the ABC Church but operated for the individual's private purposes, see *Rev. Rul. 78-232*, 1978-1 C.B. 69.

HOLDING

The nonprofit corporation described above operates to serve the private interests of a designated individual and thus 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.