

Charitable organization; lessening governmental burdens; funding for law enforcement. An organization that provides funds to a county's law enforcement agencies to police illegal narcotic traffic lessens the burdens of government and, therefore, qualifies for exemption under section 501(c)(3) of the Code.

#### ISSUE

Under the circumstances described below, does an organization that provides funds to a county's law enforcement agencies to police illegal narcotics traffic qualify for exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code?

#### FACTS

Organization S, which otherwise qualifies for exemption from federal income tax under section 501(c)(3) of the Code, was created to assist County B's law enforcement agencies in policing illegal narcotics traffic more effectively. S provides funds that allow B's undercover narcotics agents to buy drugs in the course of their efforts to apprehend persons engaged in illegal drug traffic. No government funds are otherwise available for these purposes.

S plays no part in the apprehension or criminal prosecution of drug dealers engaged in illegal drug traffic other than making funds available to B's law enforcement agencies. S's officers include B's district attorney, sheriff, and medical examiner. S is supported by contributions from the general public.

#### 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 charitable purposes.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides that the term 'charitable' is used in section 501(c)(3) of the Code in its generally accepted legal sense, and includes the lessening of the burdens of government.

Rev. Rul. 74-246, 1974-1 C.B. 130, holds that an organization assisting a policy department in the apprehension and conviction of criminals by making funds available for use in offering rewards qualifies for exemption from federal income tax under section 501(c)(3) of the Code.

Rev. Rul. 85-2, page 19, this Bulletin, holds that an organization formed to train and provide legal services to volunteer guardians ad litem qualifies for exemption under section 501(c)(3). The criteria set out in Rev. Rul. 85-2, for

determining whether an organization's activities are lessening the burdens of government are: first, whether the governmental unit considers the organization's activities to be its burden; and second, whether these activities actually lessen the burden of the governmental unit. An activity is a burden of the government if there is an objective manifestation by the governmental unit that it considers the activities of the organization to be its burden.

The interrelationship between the governmental unit and the organization may provide evidence that the governmental unit considers the activity to be its burden. Whether the organization is actually lessening the burdens of government is determined by considering all of the relevant facts and circumstances.

S funds activities that B treats as an integral part of its program to prevent the trafficking of illegal narcotics. B thereby demonstrates that these activities are a part of its burden.

That S is lessening the burdens of B is shown by the fact that the government is enabled to augment its law enforcement activities in the area of illegal drug traffic. B's law enforcement agencies can engage in certain aspects of drug enforcement without the appropriation of additional governmental funds. Thus S is lessening the burdens of government within the meaning of section 1.501(c)(3)-1(d)(2) of the regulations.

#### HOLDING

The organization described above, which provides funds to a county's law enforcement agencies to police illegal narcotic traffic, qualifies for exemption from federal income tax under section 501(c)(3) of the Code.

#### APPLICATION INSTRUCTIONS