



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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Identification Number:

Contact Number:
(202)

Employer Identification Number:

Legend:

M =

N =

O =

P =

Q =

R =

S =

Dear _____ :

We have considered M's ruling request dated May 4, 2005, submitted on M's behalf by its authorized representative, requesting that the conduct of the activities described below will not jeopardize M's tax exempt status under section 501(c)(3) of the Internal Revenue Code, or constitute an act of self-dealing under section 4941 of the Code or a taxable expenditure under section 4945.

FACTS:

M is a nonprofit corporation organized under the laws of N in 1985. M has been recognized by the Internal Revenue Service as exempt from federal income tax as an organization described in section 501(c)(3) of the Code. M has also been classified as a private non-operating foundation within the meaning of section 509(a) of the Code.

O is a substantial contributor (within the meaning of Code section 507(d)(2)) to M, and, thus, is a "disqualified person" with respect to M within the meaning of section

4946(a)(1)(A). Directors and officers of M are employees or officers of O, and O donates the services of various O employees to M without charge or reimbursement. O also provides technical support, office space, furniture, and related office equipment, e.g., computer, telephone, and copiers, to M without cost or reimbursement. O's name and logo has been incorporated into M's logo, although the two logos are clearly distinguishable.

Beginning around 1997, M has fulfilled its charitable mission by conducting the P Program. The P Program is a popular Internet-based education and training program that provides important educational services to teachers and students nationwide free of charge (with the exception of nominal fees for some training programs). The goal of the P Program is to make educational resources available to all, without regard to race, ethnicity, or social background, to enrich teaching, and to "dramatically affect student achievement for generations to come." The P Program has had its greatest impact on education delivery systems in the most underserved areas – generally school districts with a high percentage of minority students – throughout the United States.

In conducting the P Program, M coordinates with a number of the nation's leading educational organizations (all section 501(c)(3) public charities), in various fields of artistic, scientific, and academic endeavor. You have identified eight such entities, some of which are well known, and collectively refer to them as the "Consortium Partners". This collaboration produces tens of thousands of standards-based lesson plans and educational materials for students and teachers covering all K-12 subjects. Any educator or student in the United States or abroad can access the P educational material. These materials have been either developed or reviewed and recommended by M, the Consortium Partners, and/or educational experts for both quality and relevance. Individual subject matter resources may also be accessed via weblinks from the P Web site to the Web site of each Consortium Partner, or by direct visits to each of these Web sites.

The P Program provides teachers and students with the highest quality, standards-based Internet content in the fields of arts integration, science, mathematics, the humanities, geography, economics, reading, and language arts. These Web sites are produced with the help of the Consortium Partners and include lesson plans, interactive student activities, and peer-reviewed Internet content designed to bring educational resources to every student and classroom. P also provides online professional development for K-12 teachers across the country. A network of State partners, in particular, State Departments of Education, is dedicated to bringing P to teachers and to aligning the Web-based content to State educational standards. The P Program also utilizes leading edge diagnostic measurement and technology that enables state of the art tracking and reporting to ensure that teachers' Internet integration needs are being met throughout the nation.

The P Program features a sophisticated professional development program. It offers a comprehensive combination of workshops, follow-up mentoring sessions, and access to online resources; educators will acquire the necessary knowledge, and then apply that knowledge in the classroom on a regular basis. Presently, P records more than 1.5 million unique users and 2 million user sessions per month, and has trained over 200,000 teachers from every State and the District of Columbia. The P Web site has been ranked by educators as the number one non-commercial Web site in the United States.

The P Program (i) reaches over 50% of the school districts in the United States with over 50% minority student enrollment; (ii) has trained over 200,000 teachers throughout the U.S.; (iii) includes educational content for diverse populations and designed for diverse learning styles; and (iv) impacts diverse geographic regions, including every State in the U.S. and countries abroad. Your submission includes a quote from the highest education official in the State of Q, as follows: "The free resources, designed to be flexible in their use, have allowed school divisions from the less affluent rural areas and those from the more crowded urban areas to address their particular needs. ... We find ... (the P Program) to be critical to the nation's educational initiatives."

Following its emergence from bankruptcy, O has embarked on its own philanthropic program whose goal is to use innovative technologies, strategies, and employee time and talent to improve the education of youth, but especially in underserved communities. In order to carry out its philanthropic mission (the "O Program"), O plans to focus on a number of strategies to improve youth education, including:

- (1) Leveraging its expertise in technology and education;
- (2) Addressing the need for underserved communities to have high quality access to the Internet, become technologically literate, and have access to enriching educational content;
- (3) Encouraging its employees to give of their time and talent to help children in need in their communities;
- (4) Supporting programs that bridge the divisions within our society, build community, and create new opportunities, especially for underserved children; and

- (5) Being an involved and desired corporate citizen within the many communities where O operates.

Under the O Program, O will encourage volunteerism by O employees (including an additional amount of paid time per year to volunteer services) to support programs at eligible organizations (“Eligible Organizations”) in their community that help achieve the above mentioned goals. O also expects to promote the above goals by providing grants that address specific needs of Eligible Organizations, e.g., providing funding for an after school program, and/or in kind donations of services and/or products, e.g., video conferencing equipment, communications capacity for Internet access, and training on computers and Internet skills. In addition, O plans to encourage other organizations to donate services and/or products so that Eligible Organizations have the opportunity (in conjunction with O donated services and/or products) to obtain access to cutting edge and state of the art technological equipment that can be used by students and teachers to help bridge the digital divide.

You define an Eligible Organization as an organization that is not an ineligible recipient and is a public school described in section 170 of the Code or an organization that is tax exempt under section 501(c)(3) and is classified as a school under section 170(b)(1)(A)(ii). An Eligible Organization also includes M. Ineligible recipients include: (i) individuals; (ii) organizations that limit membership and services based on race, religion, color, creed, sex, age or national origin; (iii) private foundations (except for M); (iv) religious or sectarian programs, unless serving a broad cross section of the community; (v) labor and political organizations or campaigns; (vi) fraternal, athletic, and social clubs or sports activities; and (vii) organizations with which O’s involvement may present a conflict of interest. In addition, O will not make donations to any organization or support employees who volunteer at any organization if the O employee obtains any individual personal benefit or benefit to family members (other than incidental and tenuous benefits).

As part of the O Program, O will encourage its employees to provide volunteer services to M to support the P Program. The purpose of the volunteer program is to increase the awareness of Eligible Organizations about the P Program’s educational resources and its ability to improve the lives of children, especially those from underserved communities. As illustration, O employees may volunteer services to help introduce and promote the P Program to schools by furnishing P informational packets to teachers and students. O employees may also volunteer to help mentor students on the many features offered by the P Program. Any costs incurred by the volunteers in supporting the P Program will be borne by O.

O has established guidelines for employees who volunteer services to M. Under the guidelines, O employees volunteering at an educational institutional will act only in

an M capacity and not engage in or discuss O business activities, i.e., promotion of O products or services. O employees are also instructed not to characterize M's programs and initiatives as O programs and initiatives. For example, if an O employee brings a P Awareness package to an Eligible Organization, the volunteer must describe the P Program as an M program, rather than as an O program. Further, no present or potential O customers will receive preferential treatment as a result of the provision of volunteer services by O employees in connection with the P Program, i.e., no favoritism can be shown to educational organizations that are existing or potential customers in allocating volunteer services in connection with the P Program. Finally, the P Program's availability to Eligible Organizations will not be conditioned on the recipient's purchase of goods or services from O or its affiliates.

When O emerged from bankruptcy, it entered into an undertaking with R (referred to as the "R Commitment"), a section 501(c)(3) public charity, to achieve various goals in support of ethnic and minority groups, including a goal for O "to provide \$15,000x in philanthropy over five years to benefit racial and ethnic minority groups, including low income and underserved communities in S." O expects to fulfill part of this goal by substantial contributions to M to support the P Program, which has its greatest impact on education delivery systems for the benefit of minority students throughout the country.

Inasmuch as the P Program and the O Program have the same goals – supporting education to improve the lives of children – M, O and/or O employees may, on occasion, be providing support to the same Eligible Organizations. For example, O may donate in-kind services and/or products, e.g., no cost high speed broadband access to the Internet, to a public school while, at the same time, (a) some O employees volunteer their services, on behalf of M, (i) to introduce the P Program to the school and (ii) to support educational activities, such as mentoring children and providing instructional training about the Internet, and (b) M provides instructional training to teachers on the P Program. Eligible Organizations could be existing or future O customers. However, as explained above, no preference will be given to existing or potential O customers in circumstances where the O Program and the P Program overlap, and in no event will M give preferential treatment to existing or potential O customers. In addition, as outlined above, O and M have established ground rules that (i) prohibit M and O employees from taking into account any business considerations in their decision making process for providing training for the P Program; (ii) prohibits tying the purchase of any O service or product to the provision of any services of the P Program; and (iii) prohibits O employees who volunteer time on behalf of M from engaging in any activities that further the business interests of O, i.e., promotion of O's products or services.

The identity of the O Program will also be kept separate and distinct from that of M's P Program. O and M will both take steps to maintain the separate identity of the

programs. O will not include references to the P Program in product advertisements. O may, however, refer to its support of M and the P Program in annual reports, news releases, and other institutional advertising that does not also offer specific products for sale at specific prices. In contrast, the O Program (without reference to the P Program) may be featured in marketing, institutional advertising, annual reports and press releases, and O may provide O branded items, such as posters and banners, t-shirts, key chains, and the like to Eligible Organizations in the O Program.

O expects to fulfill part of its goal of providing funds to help support ethnic, racial and minority groups under the R Commitment by contributing funds to M to support the P Program, which has been shown to have its greatest impact on education delivery systems to the most underserved areas – school districts with a high percentage of minority students – in the United States. M expects to use the funds to provide additional support and rollout capabilities under the P Program to the most underserved school districts in S.

RULINGS REQUESTED:

You request that we rule as follows:

1. M's conduct of the activities described above for the P Program and the O Program will not jeopardize its tax exempt status under section 501(c)(3) of the Code.
2. M's conduct of the activities described above for the P Program and the O Program will not constitute self-dealing under section 4941 of the Code.
3. M's conduct of the activities described above for the P Program and the O Program will not constitute a taxable expenditure under section 4945 of the Code.

LAW:

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations that are organized and operated "exclusively" for charitable, religious, educational, or other specified exempt 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 Income Tax Regulations provides that in order to qualify for exemption under Code section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt purposes. Failure to meet

either the organizational or operational test will disqualify an organization from exemption under section 501(c)(3).

Section 1.501(c)(3)-1(c)(1) of the regulations provides 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 exempt purposes under Code section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. Thus, in construing the meaning of the phrase “exclusively for educational purposes” in Better Business Bureau v. United States, 236 U.S. 279 (1945), the Supreme Court of the United States stated, “This plainly means that the presence of a single noneducational purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly educational purposes.”

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized or operated exclusively for a section 501(c)(3) purpose unless it serves a public rather than a private interest. Thus, it is necessary that the organization establish that it is not operated for the benefit of private interests, such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(d)(2) of the regulations states that the term “charitable” is used in Code section 501(c)(3) in its generally accepted legal sense and includes the advancement of education and the promotion of social welfare through the relief of the poor and distressed or of the underprivileged, or attempting (i) to lessen neighborhood tensions; (ii) to eliminate prejudice and discrimination; (iii) to defend human and civil rights secured by law; and (iv) to combat community deterioration and juvenile delinquency.

Section 1.501(c)(3)-1(d)(3) of the regulations provides that the term “educational”, as used in Code section 501(c)(3), relates to (a) the instruction or training of the individual for the purpose of improving or developing his capabilities, or (b) the instruction of the public on subjects useful to the individual and beneficial to the community. Example 2 provides that an “organization whose activities consist of presenting public discussion groups, forums, panels, lectures, or other similar programs” is educational within the meaning of section 501(c)(3).

Rev. Rul. 65-60, 1965-1 C.B. 231, holds that an organization formed for the primary purpose of developing and disseminating a body of new knowledge relating to the social sciences, and whose activities consist of the performance of scientific research under contracts with government agencies, with the results communicated to the public through seminar courses, lectures, and public discussions, and through

publications distributed free to depository libraries, qualifies for exemption under section 501(c)(3) of the Code.

Rev. Rul. 67-149, 1967-1 C.B. 133, describes an organization formed for the purpose of providing financial assistance to several different types of organizations which are tax exempt under section 501(c)(3) of the Code. The organization carries on no operations other than to receive contributions and to make distributions of income to such exempt organizations at periodic intervals. The organization does not accumulate its investment income. Held, this organization qualifies for exemption under section 501(c)(3) of the Code.

In Rev. Rul. 66-358, 1966-2 C.B. 218, a corporation contributed funds and realty adjacent to its plant reception area to a section 501(c)(3) organization. The exempt organization used the funds and realty to establish a park for the use of the general public. Prior to the transfer, the corporation had adopted as its brand symbol a picture of a certain scenic view in the park. The right to the continued use of this identifying symbol in its advertising and public relations program was retained by the corporation at the time of transfer. Aside from this, nothing has been done to identify the park with the corporation's business. The revenue ruling reasons that the benefits to be derived from the corporation's gifts, which include maintenance and operation costs, flow principally to the general public through access to and use of the park. Held, acceptance of this gift by the exempt organization will not affect its exempt status because the operation and maintenance of the park for use by the general public is in furtherance of its charitable purposes.

Rev. Rul. 77-367, 1977-2 C.B. 193, holds that a nonprofit organization formed to create and operate a replica of an early American village is engaging in educational activities similar to those of a museum and accordingly qualifies for exemption under section 501(c)(3) of the Code even though the corporation which donated the land and provides a substantial percentage of the organization's support benefits by having the village named after it and by having its name associated with the village through both the corporation's and the organization's advertising.

Rev. Rul. 77-367 cites Example 4 of section 1.501(c)(3)-1(d)(3) of the regulations, which describes museums and similar organizations as "educational" within the meaning of Code section 501(c)(3). It also cites Rev. Rul. 75-470, 1975-2 C.B. 207, which holds that a nonprofit organization formed to promote an appreciation of history through the acquisition, restoration, and preservation of homes, churches, and public buildings having special historical or architectural significance and to open the structures for public viewing qualifies, for exemption under section 501(c)(3) of the Code.

Rev. Rul. 77-367 concludes that the various benefits which the corporation derives through its association with the restored village “are merely incidental to the benefits flowing to the general public from access to the village and its historic structures. See Rev. Rul. 66-358, 1966-2 C.B. 218.”

Concerning the second ruling request, sections 4941(a)(1) and 4941(b)(1) of the Code impose excise taxes upon any act of self-dealing between a private foundation and any of its disqualified persons. The taxes are paid by any disqualified person (other than a foundation manager acting only as such) who participates in the act of self-dealing.

Section 4941(d)(1)(C) of the Code defines the term “self-dealing” to mean any direct or indirect furnishing of goods, services, or facilities between a private foundation and a disqualified person. Under subparagraph (E), the term self-dealing also includes any direct or indirect transfer to, or use by or for the benefit of, a disqualified person of the income or assets of a private foundation.

Section 4941(d)(2)(C) of the Code provides that the furnishing of goods, services, or facilities by a disqualified person to a private foundation shall not be an act of self-dealing if the furnishing is without charge and if the goods, services, or facilities so furnished are used exclusively for purposes specified in section 501(c)(3).

Section 4946(a)(1)(A) of the Code defines the term “disqualified person” to include, with respect to a private foundation, a person who is a substantial contributor to the foundation. Section 4946(a)(2) states that for purposes of paragraph (1), the term “substantial contributor” means a person who is described in section 507(d)(2). This section, in turn, defines the term “substantial contributor” to mean any person who contributed or bequeathed an aggregate amount of more than \$5,000 to the private foundation, if such amount is more than 2 percent of the total contributions and bequests received by the foundation before the close of the taxable year of the foundation in which the contribution or bequest is received by the foundation from such person.

Section 53.4941(d)-2(f)(1) of the Foundation and Similar Excise Taxes Regulations provides, in part, that if a private foundation makes a grant or other payment which satisfies the legal obligation of a disqualified person, such grant or payment shall ordinarily constitute an act of self-dealing.

Section 53.4941(d)-2(f)(2) of the regulations provides that the fact that a disqualified person receives an incidental or tenuous benefit from the use by a foundation of its income or assets will not, by itself, make such use an act of self-dealing. Thus, the public recognition a person may receive, arising from the charitable

activities of a private foundation to which such person is a substantial contributor, does not itself result in an act of self-dealing since generally the benefit is incidental and tenuous.

Section 53.4941(d)-2(f)(9) of the regulations illustrates the above principle with a number of examples. Example 1 states that M, a private foundation, makes a grant of \$50,000 to the governing body of N city for the purpose of alleviating the slum conditions which exist in a particular neighborhood of N. Corporation P, a substantial contributor to M, is located in the same area in which the grant is to be used. Although the general improvement of the area may constitute an incidental and tenuous benefit to P, such benefit by itself will not constitute an act of self-dealing.

Example 4, under subparagraph (9), provides as follows: “A, disqualified person with respect to private foundation S, contributes certain real estate to S for the purpose of building a neighborhood recreation center in a particular underprivileged area. As a condition of the gift, S agrees to name the recreation center after A. Since the benefit to A is only incidental and tenuous, the naming of the recreation center, by itself, will not be an act of self-dealing.”

The concept of incidental and tenuous benefits is also illustrated in a number of revenue rulings. Thus, Rev. Rul. 73-407, 1973-2 C.B. 383, holds that a contribution by a private foundation to a public charity made on the condition that the public charity change its name to that of a substantial contributor to the foundation and agree not to change the name again for 100 years does not constitute an act of self-dealing under section 4941(d)(1)(E) of the Code. The revenue ruling cites section 53.4941(d)-2(f)(2) of the regulations and Example 4 of subparagraph (9) (cited above). In the present instance, “The public recognition the disqualified person receives from the charitable act of the private foundation is an incidental and tenuous benefit within the meaning of the regulations.”

Rev. Rul. 80-310, 1980-2 C.B. 319, deals with a private foundation which made a grant to a tax exempt university to establish an educational program providing instruction in manufacturing engineering. A corporation that is a disqualified person with respect to the private foundation intends to hire graduates of the new program and encourage its employees to enroll in the program, but will not receive preferential treatment in recruiting graduates or enrolling its employees. Held, the grant is not an act of self-dealing.

Rev. Rul. 80-310 cites Code section 4941(d)(1)(E), section 53.4941(d)-2(f)(2) of the regulations, and Example 1 of subparagraph (9) (subparagraph (4) at time of publication of this revenue ruling). The rationale states that the educational program described is of broad public interest to the community. The corporation will benefit from

the program only in an incidental manner as one of many manufacturing businesses that can benefit from the skills acquired by the students in the program. The corporation will not receive preferential treatment in recruiting graduates of the program, and the corporation's employees must compete for admission to the program on an equal basis with the general public, including employees of other manufacturing businesses. Thus, under these circumstances, the corporation will receive only an incidental or tenuous benefit from the grant by the private foundation to the university.

Concerning the third issue presented, section 4945(a)(1) of the Code imposes an initial tax of 10 percent on each taxable expenditure of a private foundation. An additional tax of 100 percent of the amount of the taxable expenditure is imposed under section 4945(b)(1) if such expenditure is not corrected within the taxable period.

Section 4945(d)(5) of the Code defines the term "taxable expenditure" to include any amount paid or incurred by a private foundation for any purpose other than one specified in Code section 170(c)(2)(B). The latter Code section sets forth charitable, educational, and other exempt purposes within the meaning of section 501(c)(3).

ANALYSIS :

M's conduct of the P Program furthers charitable purposes under Code section 501(c)(3) because it advances education and encourages individuals to volunteer their services to organizations described in sections 501(c)(3) and 170(c)(1) of the Code. Section 1.501(c)(3)-1(d)(2) of the regulations provides that the term "charitable" includes the advancement of education. As indicated in FACTS above, the P Program is an Internet-based program that provides high quality instruction in the fields of science, mathematics, the humanities, economics, language arts, etc. for teachers and students across the country. Such a program is clearly "educational" within the meaning of Code section 501(c)(3). See section 1.501(c)(3)-1(d)(3) of the regulations and Example 2 thereunder. See also the holding in Rev. Rul. 65-60, 1965-1 C.B. 231.

Under the P Program, M provides free instructional assistance to students and teachers throughout the nation. This educational assistance also redounds to the benefit of schools ("Eligible Organizations"), all of which are described in either section 501(c)(3) or section 170(c)(1) of the Code. The effect is to further charitable purposes within the meaning of section 501(c)(3). See the holding in Rev. Rul. 67-149, cited above.

M will serve a public interest by making the P Program available to Eligible Organizations (primarily schools) and students and by encouraging O employees to volunteer services to these organizations. Any benefit which O may receive from the public recognition and good will generated by the P Program should be considered

incidental to the benefits flowing to the public from the operation of this program. See Rev. Ruls. 66-358 and 77-367, both cited above. Accordingly, M's operation of the P Program will primarily serve a public rather than a private interest. See section 1.501(c)(3)-1(d)(1)(ii) of the regulations.

Concerning the issue presented under section 4941 of the Code: the favorable publicity which O receives from the P Program, mainly because of its employees' volunteer activities, should be considered an incidental and tenuous benefit within the meaning of section 53.4941(d)-2(f)(2) of the regulations. See subparagraph (9), Example 4, and the holdings in Rev. Ruls. 73-407 and 80-310, cited above. The rationale in Rev. Rul. 80-310 notes that the disqualified person, a manufacturing corporation, did not receive preferential treatment in recruiting graduates or having its employees accepted into the university's new manufacturing engineering program (which it supported). Similarly, the fact that M's P Program is made available to Eligible Organizations will not result in preferential treatment for O. O employees and M are prohibited from taking into account any business considerations in their decision making process with respect to the provision of training for the P Program. They are also prohibited from tying the purchase of any O product or service to volunteering on behalf of M.

As indicated in FACTS above, in conducting the O Program, O may provide various O branded token items, such as posters and banners, t-shirts, key chains, and the like with respect to Eligible Organizations participating in the O Program. Other organizations that may participate in the O Program, i.e., organizations that donate technological equipment and/or services, may also provide the same type of branded token items to Eligible Organizations. If M makes the P Program available to the Eligible Organizations in conjunction with the O Program, M and O will take steps to establish and maintain the separate identity of the O Program and the P Program. P Program materials will clearly show that the P Program is a program of M and not O, although O may be listed as a sponsor of M and the P Program. In addition, O employees who agree to volunteer services on behalf of M to help educate students and teachers about the P Program will act only in an M capacity and not engage in or discuss O business activities. O employees will also be instructed not to discuss M's programs and initiatives as though they are O's own.

Under section 4941, an act of self-dealing occurs if a private foundation makes a grant or other payment that satisfies a legal obligation of a disqualified person. See section 53.4941(d)-2(f)(1) of the regulations. If O makes a grant to M to support the P Program, which especially impacts education delivery systems with a high percentage of minority students, M should not be viewed as making a grant or other payment that satisfies a legal obligation of O, a disqualified person, even if 100 percent of the funds are used to support the P Program in S. Under the R Commitment, O's only obligation

is to commit funds to help benefit ethnic and minority groups, including low income and underserved communities in S. O's legal obligation should be considered satisfied under the R Commitment when O makes a gift to M to support the P Program because this program has been shown to have the greatest impact on minority and disadvantaged students throughout the U.S., including students in S. Therefore, M should not, by using the O donation to expand the P Program in S, be treated as making a grant or other payment that satisfies a legal obligation of O.

Concerning the third issue presented, under section 4945(d)(4) of the Code, a taxable expenditure includes any amount paid or incurred by a private foundation for other than a charitable purpose. We note that (1) the P Program is a charitable activity; (2) any amount expended by M must benefit an Eligible Organization, i.e., a section 501(c)(3) or 170(c)(1) organization; and (3) as indicated in the foregoing analysis, no act of self-dealing has occurred. Thus, all amounts paid or incurred by M, as outlined above, are in furtherance of a charitable purpose and accordingly will not constitute taxable expenditures.

RULINGS:

Based on the foregoing, we rule as follows:

- (1) M's conduct of the activities described above for the P Program and the O Program will not jeopardize its tax exempt status under section 501(c)(3) of the Code.
- (2) M's conduct of the activities described above for the P Program and the O Program will not constitute self-dealing under section 4941 of the Code.
- (3) M's conduct of the activities described above for the P Program and the O Program will not constitute a taxable expenditure under section 4945 of the Code.

This ruling is based on the understanding that there will be no material changes in the facts upon which it is based. Any changes that may have a bearing upon M's tax exempt status should be reported to the Ohio Tax Exempt and Government Entities (TE/GE) Customer Service Office. The mailing address is: Internal Revenue Service, TE/GE Customer Service, . The telephone number there is (a toll free number).

Pursuant to a Power of Attorney on file in this office, we are sending a copy of this letter to M's authorized representative.

We are also sending a copy of this ruling to the Ohio TE/GE Customer Service Office. Because this letter could help resolve any questions about M's exempt status, it should be kept with M's permanent records.

If there are any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Thank you for your cooperation.

Sincerely,

Jane Baniewicz
Manager, Exempt Organizations
Technical Group 2

Enclosure
Notice 437