



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Number: **INFO 2010-0051**
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Date: 3/16/10

Person to Contact and ID Number:

Contact Telephone Number:

UIL: 501.02-00

Dear *****:

This is in response to your letter dated October 6, 2009, to Lois G. Lerner, Director, Exempt Organizations, regarding questions about corporations described under section 501(c)(2) of the Internal Revenue Code ("Code"). You asked for information on how an exempt distributee organization obtains "control" of a section 501(c)(2) title holding corporation.

Section 501(c)(2) of the Code exempts from federal income tax corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under that section. In order to qualify for exemption, the parent organization of the corporation seeking exemption under that Code section must be described in section 501(a) of the Code and must effectively own and control the title holding corporation. See Rev. Rul. 71-544, 1971-2 C.B. 227. A parent organization that holds 100% of the stock of the title holding company, as in a parent-subsidiary relationship, satisfies the control test. See Rev. Rul. 76-335, 1976-2 C.B. 141. Control is also evidenced where the parent organization possesses the power to select nominees that control the title holding company. See Rev. Rul. 71-544.

You also asked whether an exempt organization's use of real property held by its section 501(c)(2) title holding corporation should be governed by a written lease agreement. The response to this question depends on the facts and circumstances of the particular taxpayer. Therefore, your request for a response on this question is beyond the purview of an information letter. Under our private letter ruling program, a taxpayer may request the Internal Revenue Service to rule on the tax consequences of

a particular transaction. See Revenue Procedure 2010-4, 2010-1 I.R.B. 122.

I enclose for your reference a copy of IRM 7.25.2, "Single Parent Title Holding Corporations." It includes information that may be helpful to you.

This letter is for informational purposes only and is intended to provide general statements of well-defined law. It is not a ruling and may not be relied on as such. See Rev. Proc. 2010-4, 2010-1 I.R.B. 122 (or its successor). This letter will be made available for public inspection. The Internal Revenue Service will delete any name, address and other identifying information as appropriate under the Freedom of Information Act. See Announcement 2000-2, 2000-2 I.R.B. 295. If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

David L. Fish
Manager, Exempt Organizations, Guidance

Enclosure