



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

Release Number: 201117034
Release Date: 4-29-2011
Date: February 3, 2011

Contact Person:

Identification Number:

Telephone Number:

Employer Identification Number:

UIL: 501.03-00

Legend

X =
Y =
Date1 =
Date2 =

Dear

We have considered your ruling request dated June 2, 2008 as to whether amendments to your organizational documents will affect your exempt status under section 501(c)(3) of the Internal Revenue Code (Code).

Facts:

You were created on Date1 and the Service recognized you as an organization exempt under section 501(c)(3) of the Code and classified you as a public charity described in section 509(a)(3). You were one of three charitable organizations created to provide services and support for persons with neurological impairment. The other two organizations, X and Y, were also recognized as exempt under section 501(c)(3). Your organizational documents stated that you were organized and operated "exclusively for the charitable purpose of supporting and assisting X and Y." A few years later, based on information that you submitted, the Service modified your public charity status to section 509(a)(1) and 170(b)(1)(A)(vi).

On Date2, Y reorganized the group and amended your organizational documents. The amendments:

- removed Y as your sole member,
- provided that you shall have no members,
- placed your governance under a self-perpetuating board,
- changed your purpose to providing support and assistance solely to X, an exempt organization, and,
- upon dissolution, required the distribution of your assets to X.

Ruling Requested:

That the changes in your certificate of incorporation and bylaws pertaining to your purposes, governance, and the distribution of your assets upon dissolution, specifically (1) that your purposes will no longer include providing support and assistance to Y; (2) that you will no longer have Y as your sole member, and will be governed by a self-perpetuating board of directors; and (3) that, upon dissolution, your assets will be distributed to X, provided it is then recognized by the Internal Revenue Service as an organization described in section 501(c)(3) and 170(c)(2) of the Internal Revenue Code, and not to Y, will not have any effect on your status as an organization exempt from taxation under section 501(c)(3) of the Code.

Law:

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

Section 509(a)(1) of the Code states that the term "private foundation" means a domestic or foreign organization described in section 501(c)(3) other than an organization described in section 170(b)(1)(A).

Section 1.501(c)(3)-1(b)(1) of the Treasury Regulations states that an organization is organized exclusively for one or more exempt purposes only if its articles of organization (a) limit the purposes of such organization to one or more exempt purposes, and (b) do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

Analysis:

To establish exemption from tax under section 501(c)(3), an organization must pass the organizational test set out in section 1.501(c)(3)-1(b) of the regulations. Under this test, an applicant's articles of organization must limit the organization's purposes to one or more exempt purposes specified in section 501(c)(3). Your amended certificate of incorporation specifically states that you are organized exclusively for the charitable purpose of supporting and assisting X, an exempt organization. Since your certificate of incorporation continues to meet the requirements of the organizational test, the amendments will not adversely affect your qualification for exempt status under section 501(a).

Conclusion:

Accordingly, based on the foregoing, we rule as follows:

The changes in your certificate of incorporation and bylaws pertaining to your purposes, governance, and the distribution of your assets upon dissolution, specifically (1) that your purposes will no longer include providing support and assistance to Y; (2) that you will no longer have Y as your sole member, and will be governed by a self-perpetuating board of directors; and (3) that, upon dissolution, your assets will be distributed to X, provided it is then recognized

by the Internal Revenue Service as an organization described in section 501(c)(3) and 170(c)(2) of the Internal Revenue Code, and not to Y, will not have any effect on your status as an organization exempt from taxation under section 501(c)(3) of the Code.

This ruling is limited in scope to the organizational test under section 1.501(c)(3)-1(b) of the regulations. It does not consider or make any determination with regard to your activities or the operational test under section 1.501(c)(3)-1(c).

This ruling will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose*. A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

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 by others as precedent.

This ruling is based on the facts as they were presented and on the understanding that there will be no material changes in these facts. This ruling does not address the applicability of any section of the Code or regulations to the facts submitted other than with respect to the sections described. Because it could help resolve questions concerning your federal income tax status, this ruling should be kept in your permanent records.

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

In accordance with the Power of Attorney currently on file with the Internal Revenue Service, we are sending a copy of this letter to your authorized representative.

Sincerely,

Ronald Shoemaker
Manager, Exempt Organizations
Technical Group 2

Enclosure
Notice 437