



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

Release Number: **201309016**
Release Date: 3/1/2013
Date: December 5, 2012
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XXXXXXXXXX
UIL Code: 501.03-00

Contact Person:
Identification Number:
Contact Number:
Employer Identification Number:
Form Required To Be Filed:
Tax Years:

Dear

This is our final determination that you do not qualify for exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(3). Recently, we sent you a letter in response to your application that proposed an adverse determination. The letter explained the facts, law and rationale, and gave you 30 days to file a protest. Since we did not receive a protest within the requisite 30 days, the proposed adverse determination is now final.

Because you do not qualify for exemption as an organization described in Code section 501(c)(3), donors may not deduct contributions to you under Code section 170. You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at

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1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: October 1, 2012

Contact Person:

Identification Number:

UIL: 501.03-00

Contact Number:

FAX Number:

Employer Identification Number:

LEGEND:

State =
Date 1 =
Date 2 =
Chairman =
Vice Chairman =
Secretary/Treasurer =
Representative =
Company =

Dear

We have considered your application for recognition of exemption from Federal income tax under Internal Revenue Code section 501(a). Based on the information provided, we have concluded that you do not qualify for exemption under § 501(c)(3). The basis for our conclusion is set forth below.

FACTS:

You were organized under the laws of State on Date 1. You filed Form 1023, Application For Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, on Date 2.

Your Articles of Incorporation ("Articles") state that you are organized and operated exclusively for charitable purposes within the meaning of § 501(c)(3). Specifically, your Articles describe your purpose as follows:

[You] forges a distinctive and meritable relationship between computer end users, advertisers and charitable organizations through a computer networking site. Computer end users are introduced to view advertisements from companies and businesses that have agreed to donate to the charities and/or foundations of

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the computer end user's preference.

Thus, " % of all donations made to the charity of users choice will be given to that charitable organization."

Your Amended Bylaws state that you "will also hold workshops and seminars for non-profit organizations." Pursuant to your response to the Internal Revenue Service ("Service") request for additional information, your creators' vision is "to create a company [you] that provides services to a for profit as well as nonprofits, this is their vision."

You state that you will devote less than percent of your resources, financial or otherwise toward conducting a free workshop about nonprofit management, an educational activity, which Representative and other CPAs volunteers will conduct quarterly.

You will limit your workshops audience to non-profit organizations both old and new. The purpose of these workshops will be to explore and review variety of problems new and existing charitable organizations encounter. The topics discussed in the workshop will include:

- Nonprofit Board of Directors
- Drafting mission and vision statements;
- Ethical and legal issues concerning nonprofit organizations;
- Liability, risk management, and insurance;
- The use of the Internet;
- Financial management;
- Forming and running a nonprofit coalition; and
- Organization and program evaluation.

You provided copies of educational materials, produced and copyrighted by another organization, that you intend to distribute at these workshops. You stated that you have no copies of your own educational materials such as brochures, booklets, handouts etc because they are "still in development". You also stated that you have not conducted your first workshop.

You will advertise the workshops by sending e-mails and letters to non-profit organizations registered on your website. You plan to use the workshops as an opportunity to promote the fundraising service described below. Other than stating that Representative and various CPAs and Attorneys will teach the workshops, you did not submit list of your instructors, their credentials/resumes.

You will devote the remaining percent of your resources to operate a computer networking and fundraising website that provides a fundraising engine for § 501(c)(3) organizations ("Fundraising Program"). The Fundraising Program operates by soliciting advertisers to pay to advertise their products/services on your website. In return, advertisers are promised that members of the public ("Users") will view their advertisements, with the ultimate goal of purchasing said advertised goods and/or services. You allow any legal advertising content.

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"Users" are defined as members of the public who register on your website and intend "to help charities for free" by viewing advertisements on your website. Users are informed that, by viewing advertisements on your website, a portion of the revenues you receive from advertising fees will be donated to the charity of the users' choice. Your Fundraising Program utilizes "cookies" (a program identifying user preferences, browsing history, shopping cart contents, etc.) to ensure that the advertisements viewed are tailored to the viewing audience.

In addition to viewing advertisements, Users may also use the social networking aspects of your website, such as chat and e-mail to communicate between themselves. You acknowledge that these services serve no tax-exempt purpose. Your website will also provide website links of § 501(c)(3) organizations so Users can make donations directly to their choice § 501(c)(3) organization(s). You state that no part of donations from Users directly to § 501(c)(3) organizations will be used to cover your operating expenses.

Section 501(c)(3) tax-exempt organizations may register for free to become members ("Members") of your Fundraising Program. You will not charge Members any administrative fees to use your service however, you will verify the tax-exempt status of Members by requesting copies of their exemption letters, and you will also confirm their exemption with the Service. Users will be able to view a Member's name, EIN, date of incorporation, mission, purpose, contact information, board of directors, and the amount of donations a Member has received via your website. Members cannot opt out of the publication of this information. No formal agreement exists between you and any Members.

You have an agreement ("Agreement") with Company, a for-profit web marketing and advertising service provider, to "provide and manage all computer networking systems, computer information technologies, communication and computer applications, distribution of digital advertisements placements, marketing and public relations" for you. Pursuant to Agreement, [t]his agreement is intended to be an exclusive arrangement to cover all services mentioned above and are related to the day to day operations of [you], a non-profit Corporation."

You state that for-profit advertisers will advertise on your website, and Company "will negotiate all contracts, because they [Company] will be the ones providing the service." Further, Company "will obtain and maintain all contracts with advertisers." Because Company will hold the contracts with the advertisers, Company "will sign all contracts." Thus, you are not a party to the advertising contracts. You also state that presently Company has not entered into any advertising contracts.

You stated that you "will not pay [Company] any compensation for services provided." However, you also state that "in order to pay for expenses they [Company] will receive a percentage of advertising revenues in order to pay for expenses, production, management and to over see and maintain advertisers accounts." You state that because Company contracts with the advertisers, Company, not the advertisers, will pay revenues to you after Company collects payments from the advertisers. Company will retain a percentage to cover Company's expenses.

The percent of revenues that Company retains will vary by contract. In addition, there is no cap

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on the percentage or total amount Company will transfer to you. Also, there is no cap on the percentage Company will retain for expenses.

You state that, " % of our advertising revenue will be donated to charities, and it will increase in time. % we will keep to start." You also state that your funding will come from "donations from the public, and companies/corporations that acknowledge their interest in supporting [your] programs." However, pursuant to your revised statement of revenues and expenses, in your first three years of operation, you expect to derive percent of your operating budget from advertising fees.

Company, has at all times, been owned, operated, and controlled by two members of your board of directors, Chairman and Vice Chairman. During the period you contracted Company to manage all your day to day advertising and online donation operation, you stated that you did not solicit bids for similar services or consider companies other than Company because it was Chairman's and Vice Chairman's "vision" to "create a company that provides services to a for profit as well as nonprofits." You stated that "[t]here was no reason to look to other companies when the service needed was already created by the creators [of Company], the instructor [sic] was already there to provide the services needed for [you]." By a vote of your three-member Board of Directors—Chairman, Vice Chairman, and Secretary/Treasurer—you "[a]pproved the services of [Company] to operate, maintain, run and continue its designated business, including social media and advertising hosting for [you]." From the information you submitted, you and Company also share the same office space.

Specifically, your Guidelines for Oversight and Control of Company provide that the only ground on which you may refuse an advertiser is for "illegal content" in its ad or ads. Illegal content includes: (1) "[c]ontent related to engaging in, promoting or facilitating illegal or legally questionable activities such as drugs, bombs, theft, and online pirating, hacking, spamming, and infecting as governed by United States Federal law;" (2) "Warez P2P, torrent sites, illegal music downloads, [and] pirated software"; (3) distribution and promotion of spyware or malware; and (4) copyright infringement. Absent any such violation described above, your oversight over Company's operations is minimal because Company manages your entire day to day advertising and online donation operation.

LAW:

Section 501(c)(3) exempts from taxation any corporation organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, provided no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treas. Reg. § 1.501(a)-1(c) provides that the words "private shareholder or individual" in § 501 refer to persons having a personal and private interest in the activities of the organization.

Treas. Reg. § 1.501(c)(3)-1(a)(1) provides that, in order to be exempt as an organization described in § 501(c)(3), an organization must be both organized and operated exclusively for

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one or more of the purposes specified in that section. If an organization fails to meet either the organizational or operational test, it is not exempt.

Treas. Reg. § 1.501(c)(3)-1(c)(1) 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 of such exempt purposes specified in § 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.

Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. To meet the requirement of this subsection, the burden of proof is on the organization to show that it is not organized or 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.

Treas. Reg. § 1.501(c)(3)-1(d)(2) provides that the term "charitable" is used in § 501(c)(3) in its generally accepted legal sense and includes, among other things, lessening the burdens of government, relief of the poor and distressed or of the underprivileged, advancement of education or science, erection or maintenance of public buildings, monuments, or works, and promotion of social welfare by organizations designed to accomplish any of the above purposes, or in part to defend human and civil rights secured by law.

Treas. Reg. § 1.501(c)(3)-1(d)(3)(i) provides that the term educational 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.

Treas. Reg. § 1.501(c)(3)-1(d)(3)(ii), Example 2, provides that an educational organization includes an organization whose activities consist of presenting public discussion groups, forums, panels, lectures, or other similar programs. Such programs may be on radio or television.

Rev. Rul. 64-182, 1964-1 C.B. 186, involved an organization whose charitable purpose was carried out by aiding other charitable organizations through contributions and grants to such organizations for charitable purposes. The Service held that the organization was deemed to be operated exclusively for one or more exempt purposes, and not as an unrelated trade or business under Treas. Reg. § 1.501(c)(3)-1(e)(1), where it is shown to be carrying on through such contributions and grants a charitable program commensurate in scope with its financial resources.

Rev. Rul. 67-5, 1967-1 C.B. 123, held that a foundation controlled by the creator's family and operated to enable the creator and his family to engage in financial activities did not qualify under § 501(c)(3) because the foundation was operated for a substantial non-exempt purpose and served the private interests of the creator and his family. Specifically, the foundation was created under a trust agreement between the donor and members of his family as trustees. The trust agreement set forth exclusively charitable purposes and directed the trustee to pay over

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the entire net income to charity. The creator and his family contributed shares of common stock in their family-owned corporation. By a series of financial transactions involving the corporation, the creator and his family succeeded in shifting the economic advantages and voting control in this company from the common stock held by the foundation to the preferred stock held by the creator and his family. The preferred stock consistently paid dividends whereas the common stock did not. As a result, the foundation owned non-income producing assets and was prevented from carrying on its charitable program commensurate in scope with its financial resources. Thus, the foundation's purpose was to serve the private financial interests of its creator and his family. Furthermore, the foundation failed to serve a public, rather than private, interest.

Rev. Rul. 67-149, 1967-1 C.B. 133, held that an organization formed for the purpose of providing financial assistance to several different types of tax-exempt organizations was itself exempt from tax under § 501(c)(3). The organization carried on no other operations than to receive contributions and incidental investment income and to make distributions of income to such exempt organizations at periodic intervals.

Rev. Rul. 74-16; 1974-1 C.B. 126, held that an organization formed to assist individuals in developing nations to improve their living conditions through educational programs on credit problems and to instruct and train individuals from those nations in the techniques of organizing and managing credit unions qualifies for exemption as an educational organization under section 501 (c) (3) of the Code. Pamphlets and other materials providing information on the provident use of money and the need for cooperative action to solve the problems of scarcity of credit are distributed to members of the community.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that if more than an insubstantial part of its activities is not in furtherance of an exempt purpose, an organization will not be regarded as "operated exclusively" for exempt purposes.

Lorain Avenue Clinic v. Comm'r, 31 T.C. 141 (1958) provides that in order to qualify for exemption from tax, an organization has the burden of proving that it is both organized and operated exclusively for charitable purposes and that no part of its net earnings inures to the benefit of any private individual. Further, a ratio of income based compensation agreement that is tantamount to a joint venture between the organization and persons in control of the organization will disqualify such an organization from qualifying for tax-exempt status as an organization described under § 501(c)(3).

In Spokane Motorcycle Club v. U.S., 222 F. Supp. 151 (E.D. Wash. 1963), the court held that even a small amount of private inurement is fatal to a § 501(c)(3) exemption.

In Beth-El Ministries v. U.S., 79-2 U.S. Tax Cas. (CCH) P9412 (1979), the court held that even if the benefit inuring to the members is small, it is still impermissible.

In Church by Mail v. Comm'r, 765 F.2d 1387 (9th Cir. 1985), the United States Court of Appeals for the Ninth Circuit found it unnecessary to consider the reasonableness of payments made by the applicant to a business owned by its officers. The court stated that "[t]he critical inquiry is

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not whether particular contractual payments to a related for-profit organization are reasonable or excessive, but instead whether the entire enterprise is carried on in such a manner that the for-profit organization benefits substantially from the operation of the Church."

In est. of Hawaii v. Comm'r, 71 T.C. 1067 (1979), the Tax Court held that compensation need not be unreasonable or exceed fair market value to be private benefit. Specifically, the court stated "[n]or can we agree with petitioner that the critical inquiry is whether the payments made to International were reasonable or excessive. Regardless of whether the payments made by petitioner to International were excessive, International and EST, Inc., benefited substantially from the operation of petitioner."

In P.L.L. Scholarship v. Comm'r, 82 T.C. 196 (1984), the Tax Court found that an organization that operated charitable bingo on the premises of a bar allowed the bar to increase its sales of food and drinks by its operation in the bar, thereby benefitting the bar in more than an insubstantial way. The organization and bar were controlled by some of the same persons. The court held that the operations of the organization and bar were so interrelated as to be "functionally inseparable," the effect of which was that any economic benefit the bar received was not incidental.

In American Campaign Academy v. Comm'r, 92 T.C. 1053 (1989), the Tax Court determined that the American Campaign Academy, a training program for political campaign professionals, operated for the private benefit of the Republican party because its curriculum was tailored to Republican interests, its graduates worked for Republican candidates and incumbents, and it was financed by Republican sources. The Tax Court defined private benefit as "nonincidental benefits conferred on disinterested persons that serve private interests." Private benefits included "advantage; profit; fruit; privilege; gain; [or] interest."

In International Postgraduate Medical Foundation v. Comm'r, 56 T.C.M. (CCH) 1140 (1989), an organization that conducted continuing medical education tours abroad exclusively used one for-profit travel agency to arrange its travel tours. The same individuals controlled both the organization and the for-profit travel agency, and the organization did not solicit bids from any other travel agency. Furthermore, both entities shared the same office. As both entities were interrelated, the court held that the organization was operated for the benefit of the for-profit travel agency.

ANALYSIS:

An organization seeking tax-exempt status under § 501(c)(3) must be organized and operated exclusively for charitable or other exempt purposes with no part of its net earnings inuring to the benefit of any private shareholder or individual. See also Treas. Reg. § 1.501(c)(3)-1(a)(1). An organization is "operated exclusively" for one or more exempt purpose only if it engages primarily in activities that accomplish one or more of such exempt purposes specified in § 501(c)(3). See Treas. Reg. § 1.501(c)(3)-1(c)(1).

Based on the information provided, your primary purpose is to engage in advertising, a commercial activity. You contracted with Company (a company owned by two of your board members) to manage your day-to-day advertising and online donation operation. Company is

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solely responsible for negotiating, contracting and maintaining the contracts with the for-profit entities that advertise on your website. You are not organized and operated exclusively for one or more exempt purpose because your primary purpose is to provide advertising services, a commercial activity, through Company to for-profit entities,. See Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945).

Neither are you operated exclusively for educational purposes within the meaning of § 501(c)(3). Although you state that your primary goal is to conduct educational activities, you failed to submit information or material to show that you are primarily engaged in educational activities under § 501(c)(3) and in fact, you state that you dedicate less than two percent of your financial, personnel, and other resources to your educational workshops. To qualify for tax-exempt status under § 501(c)(3) as an organization that renders educational purpose, an organization must conduct, seminars, conferences, workshops, etc. For example in Rev. Rul. 74-16, 1974-1 C.B. 126, the organization involved also provided educational materials such as pamphlets and other materials that contain information that educated the intended audience.

The information you submitted indicates that you have not conducted any workshops. The materials you use to teach the workshops are copyrighted material published by another organization. You failed to submit copies of any brochures, handouts, power point you created that you will use to teach the workshops. Other than stating that Representative, various CPAs and Attorneys will teach the workshops, you failed to submit information/resumes of the instructors that will teach the workshops. You also failed to submit your workshops curriculums.

Thus, based on the foregoing because you have not shown that you conduct any educational activities described under § 501(c)(3), you do not qualify for tax-exempt status as an organization described under § 501(c)(3).

Even if you qualified as an organization described under § 501(c)(3), you do not operate exclusively for charitable purposes because your advertising activities serve substantial private interests rather than public interest. Under § 501(c)(3), an organization organized exclusively to carry on a charitable or educational purpose(s), among others, must make certain that no part of its net earnings inures to the benefit of any private shareholder or individual. If the organization's net earnings inure in whole or in part to the benefit of private shareholders or individuals, the organization is not operated exclusively for one or more exempt purposes. See Treas. Reg. § 1.501(c)(3)-1(c)(2).

You must establish that you are not organized or 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 before you can qualify for tax-exempt status as an organization described under § 501(c)(3). See Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii). Inurement, no matter how minute is a bar to tax-exempt status under § 501(c)(3). See Spokane Motorcycle Club v. U.S., 222 F. Supp. 151 (E.D. Wash. 1963); Beth-El Ministries v. U.S.; 79-2 U.S. Tax Cas. (CCH) P9412 (1979).

You entered into Agreement with Company to manage your day-to-day operation. Company's primary operation consists of rendering advertising services to for-profit entities. Company retains a portion of the advertising revenue to cover its expenses. The contract between you

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and Company is not a product of an arms' length negotiation. In addition, the circumstances surrounding the contract between you and Company show that you entered into the contract to further the financial interest of Company.

The circumstances include the following:

- (a) Company is owned by two of your board members, Chairman and Vice-Chairman, this creates a conflict of interests.
- (b) You did not solicit bids from other entities that offer similar services as Company. You stated that because Company provides the services you needed, there was no need to look to other companies.
- (c) By a vote of your three-member Board of Directors—Chairman, Vice Chairman, and Secretary/Treasurer, you approved and contracted Company to completely operate, maintain, and manage your entire operation. This also creates a conflict of interest.
- (d) Even from the documents you submitted, you and Company share the same office space.
- (e) You submitted no information to show that the fee Company receives from the advertising revenue is comparable to what a similarly situated entity like Company will receive.
- (f) Last, you placed no cap limit on the fee that Company will receive. Thus, Company can receive unlimited income that can more compensate Company for its services.

The foregoing facts indicate a joint venture between you and Company. A ratio of income based compensation agreement that is tantamount to a joint venture between the organization and persons in control of the organization will disqualify such an organization from qualifying for tax-exempt status as an organization described under § 501(c)(3). See Lorain Avenue Clinic v. Commissioner, 31 T.C. 141 (1958). See also Church by Mail v. Commissioner, 765 F.2d 1387 (9th Cir. 1985), P.L.L. Scholarship v. Commissioner, 82 T.C. 196 (1984), and International Postgraduate Medical Foundation v. Commissioner, 56 T.C.M. (CCH) 1140 (1989).

This arrangement confers to inappropriate benefit to Company and its owners, Chairman and Vice-Chairman. Any amount of inurement will bar exemption for an organization seeking exemption under § 501(c)(3). See Spokane Motorcycle Club v. U.S., 222 F. Supp. 151 (E.D. Wash. 1963); Beth-El Ministries v. U.S., 79-2 U.S. Tax Cas. (CCH) P9412 (1979).

Your activities also substantially benefit your advertisers even though they pay to advertise on your website. Private benefit need not be strictly monetary. See American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989). In American Campaign Academy, the Tax Court determined that the American Campaign Academy, a training program for political campaign professionals, operated for the substantial private interests of the Republican Party because its curriculum was tailored to Republican interests, its graduates worked for Republican candidates and incumbents, and it was financed by Republican sources. Similar to American Campaign

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Academy, you tailor your advertising services to benefit your advertisers.

Your Fundraising Program provides advertisers with a motivated, and potentially large, viewing audience. Furthermore, unlike other advertising forums in which advertisements are merely incidental to the desired content, your site features the advertisements as its primary content; Users visit the website for the express purpose of viewing advertisements. These advertisements are tailored to your viewing audience using cookies. Your service allows advertisers to more effectively reach their target audiences. The private benefit received as a result of this outcome is more than incidental because the goal of advertising is to increase sales by reaching a target audience. Thus, you benefit private persons rather than the public.

Incidental private benefit is permissible when it is an unintentional and unavoidable byproduct of charitable activity. This is not the case here. The benefits the advertisers receive are significant and not incidental (a significant portion of your entire operation consists of this advertising operation). An organization that seeks tax-exempt status as an organization described under § 501(c)(3) can only be serve a public interest not private interest. See Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii). You serve significantly the interest of the for-profit advertisers, therefore, you are not operated exclusively for one or more exempt purposes under § 501(c)(3) because you benefit the interest of the advertisers, and not the interest of the public.

CONCLUSION:

Based on the information you provided, we conclude that you do not qualify for tax-exempt status as an organization described under § 501(c)(3) because you operate for substantial non-exempt purposes, and you also serve private interests rather than public interests.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination.

Your protest statement should be accompanied by the following declaration:

Under penalties of perjury, I declare that I have examined this protest statement, including accompanying documents, and, to the best of my knowledge and belief, the statement contains all the relevant facts, and such facts are true, correct, and complete.

This declaration must be signed by an elected officer, a member of the board of directors, or a trustee rather than an attorney or accountant.

You also have a right to request a conference to discuss your protest. This request should be made when you file your protest statement. An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you. If you want representation during the conference procedures, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative*, if you have not already done so. For more information about representation, see Publication 947, *Practice before the IRS and Power of Attorney*. All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

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If you do not file a protest within 30 days, you will not be able to file a suit for declaratory judgment in court because the Internal Revenue Service (IRS) will consider the failure to protest as a failure to exhaust available administrative remedies. Code section 7428(b)(2) provides, in part, that a declaratory judgment or decree shall not be issued in any proceeding unless the Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted all of the administrative remedies available to it within the IRS.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848 and any supporting documents to this address:

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You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

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

Sincerely,

Lois G. Lerner
Director, Exempt Organizations