



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

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

Date: DEC 29 2006

Number: 201428028  
Release Date: 7/11/2014

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

Tax Years:

UIL: 501.33-00; 501.36-00

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.

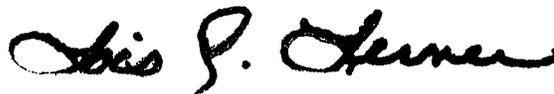
Because you do not qualify for exemption as an organization described in Code section 501(c)(3), donors may not deduct contributions to you under Code section 170. You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an 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.

In accordance with Code section 6104(c), we will notify the appropriate State officials of our determination by sending them a copy of this final letter and the proposed adverse letter. You should contact your State officials if you have any questions about how this determination may affect your State responsibilities and requirements.

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 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,

A handwritten signature in black ink, appearing to read "Lois G. Lerner". The signature is fluid and cursive, with the first name "Lois" and last name "Lerner" clearly distinguishable.

Lois G. Lerner  
Director, Exempt Organizations  
Rulings & Agreements

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



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

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

Date: November 8, 2006

M  
Street  
City, State, and Zip

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

M = Name of Organization  
State = Residing State  
Date = Date of Incorporation  
Area = Target Area

UIL Nos: 501.33-00  
501.36-00

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 Code section 501(c)(3). The basis for our conclusion is set forth below.

You, M, are a State nonprofit corporation formed on Date. Your Articles of Incorporation state that "[t]he corporation is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code..."

Your application Form 1023 and supporting documents provide that:

M has been organized and shall be operate[d] exclusively for the charitable purpose of providing monetary gift assistance to qualified home buyers through its Gift Assistance Program. This assistance will be in the form of charitable cash gifts made directly to the home buyers.

M will accomplish this charitable mission of gift-giving by providing absolute gifts up to \$ \_\_\_\_\_ cash to any home buyer that qualifies for a home loan, but who cannot afford to buy the home because of a shortfall of cash needed for the down payment, closing costs and various prepaid items. It's an absolute gift to a qualified home buyer, with absolutely no obligation for the home buyer ever to repay the gift. Plus, there are no income limitations, maximum home prices, credit checks, or other limiting factors. M will determine the amount of the gift based on

Letter 4036(CG) (11-2005)  
Catalog Number 47630W

the home buyer's need, rather than a percentage of the sales price. It, [M], will even consider gifts larger than \$ on a case-by-case basis.

You state that "[i]t was decided that, at least in the beginning, M would tend to make gifts locally, i.e., within the Area, rather than nationally, to qualified home buyers."

You further provide in your application that:

Our target group is the thousands of potential home buyers, who otherwise would qualify for a home loan, except that they are 'cash poor', i.e., do not have enough cash to close on a home purchase. There are no geographic, economic, or income limitations for any potential home buyer to qualify for the gift-giving program. This group will have individuals at all levels of income, coming from all backgrounds and education levels. It will be made available to every qualified home buyer throughout the United States, without regard to race, gender, religion, income, geographic, or any other barriers. M will provide these gifts for all types of home loan, e.g., FHA, VA and non-conforming loans, and from all types of lenders, whether institutional or private in nature.

...it is expected that most or all of our initial home buyers will be local people that we meet and get to know in person, and who have easy access to our office and personal access to us. We expect to make contact with these home buyers through personal introductions, phone contacts, and 'cold calling' of real estate professionals, including real estate salespeople, lenders and home builders.

In order to qualify for a gift, a potential home buyer must complete the following three steps: (i) qualify for a home loan with a lender that allows a charitable contribution to be made towards the buyer's closing costs; (ii) enter into a written purchase and sale agreement and addendum with a participating seller; and (iii) fill out the registration forms and set a closing date. You state that "[t]here are no other requirements, and nothing else a home buyer has to do, or qualify for." You further state that "...as long as a buyer is approved for a loan, he is automatically eligible for a gift from our program as long as the seller of the property will participate in the program."

After completing the foregoing steps, you will transfer the approved monetary gift directly to the attorney or title company ("Closing Agent") handling the closing, who will disburse the gift money at the closing, as directed by you. Once the transaction has been fully executed, the same Closing Agent will repay you the total of the cash gift plus the agreed Service Fee directly from the home seller's or builder's closing proceeds.

As mentioned, you will receive a Service Fee from the seller for your involvement in the transaction. After the closing, the home seller will pay you a predetermined "Gift Fee", which is the total amount of the gift given to the home buyer plus a Service Fee of \$ . The Service Fee of \$ is a set amount regardless of the gift amount and the seller is only required to pay the fee when the sale has successfully transpired.

You provide that "[o]ur charitable gift-giving program to homebuyers will work in the real estate marketplace simply because of the following incentives and options that it offers to home sellers and builders: (i) Home sellers and builders will consider our gift program as a very good way to increase the pool of potential buyers for their home, because so many more potential home buyers will qualify for a home loan using our gift funds than those who have no way to get the cash needed for the downpayment and other closing costs. With this larger pool of buyers, sellers and builders will be able to sell their homes much quicker and easier, saving them interest on their own loans and carrying costs; (ii) By cooperating in our Gift Assistance Program, they [sellers and builders] will very likely sell their homes for full price, or very near full price, making the net proceeds from the sale with our gift funds about the same as without using gift funds. Thus, they will not have to reduce the price of their homes, or make other concessions to a home buyer, or even worst, wait for months before finding a qualified home buyer. The net result, even after paying M its Service Fee, is that the net sales proceeds to the seller or builder will be essentially the same as not using its gift program; and (iii) Finally, each home seller and builder will be able to rest assured that a M home buyer has the necessary cash to close the sale."

You provide the following example:

	<b>Sale Without <u>M</u></b>	<b>Sale With <u>M</u></b>
List Price of Home	\$150,000.00	\$150,000.00
Average Reduction in Price	6%	0%
Net Sales Price	\$141,000.00	\$150,000.00
Less: Example Gift Amount \$7,500 Gift + \$595 Gift Fee	\$0	\$8,095.00
Less: 7% Realtor Commission	\$9,870.00	\$10,500.00
Seller Net Proceeds	\$131,130.00	\$131,405.00

You state that "[i]t is clear that the net proceeds to a home seller or builder in this typical example can actually be greater using a gift from M of just an average size of \$7,500 than it would be in a traditional sale without help from M. Once a home seller or builder realizes it can negotiate a better sales price because of this fact, and its home sells even quicker because there are so many more qualified buyers, the home seller or builder should clearly favor the M program over the traditional non-gift sale."

You provide that "M eventually expects to grow to be of sufficient size and resources, either because of grants from charitable individuals and/or organizations, or loans of money from individuals or institutional lenders, but most likely, because it has achieved a certain level of success in terms of the total of Service Fees it has collected from home sellers, which will steadily increase the money in its pool of funds."

According to your Statement of Revenues and Expenses, you anticipate that, during tax years \_\_\_\_\_ and \_\_\_\_\_, your only source of income will be from gross receipts.

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Finally, the manner in which you operate is referred to as "seller-funded downpayment assistance" in the Final Report, An Examination of Downpayment Gift Programs Administered by Non-Profit Organizations, commissioned by Office of Housing, United States Department of Housing and Urban Development, HUD Contract No.: C-OPC-22550/M0001 (March 1, 2005). The report concludes that seller-funded downpayment assistance for mortgage downpayments has led to underwriting problems that require immediate attention. Furthermore, the report concludes that the effective costs of homeownership are increased even more by the processing fees charged by seller-funded downpayment assistance providers which get passed through to borrowers in higher property prices. A copy of the report is enclosed with this determination letter.

Law:

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

Section 1.501(c)(3)-1(c)(1) of the Income Tax Regulations provides that an organization operates exclusively for exempt purposes only if it engages primarily in activities that accomplish exempt purposes specified in section 501(c)(3) of the Code. An organization must not engage in substantial activities that fail to further an exempt purpose.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest. To meet this requirement, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests.

Section 1.501(c)(3)-1(d)(2) of the regulations defines the term "charitable" as used in section 501(c)(3) of the Code as including the relief of the poor and distressed or of the underprivileged. The term "charitable" also includes the advancement of education.

Section 1.501(c)(3)-1(d)(3)(i) of the regulations provides, in part, that the term "educational", as used in section 501(c)(3) of the Code, relates to the instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(e) of the regulations provides that an organization that operates a trade or business, as a substantial part of its activities, may meet the requirements of section 501(c)(3) of the Code if the trade or business furthers an exempt purpose, and provided that the organization's primary purpose does not consist of carrying on an unrelated trade or business.

In Better Business Bureau of Washington, D.C. v. U.S., 326 U.S. 279, 283 (1945), the Supreme Court held that the "presence of a single . . . [nonexempt] purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly . . . [exempt] purposes."

In Easter House v. U.S., 12 Cl. Ct. 476, 486 (1987), aff'd, 846 F. 2d 78 (Fed. Cir.) cert. denied, 488 U.S. 907 (1988), the court found an organization that operated an adoption agency was not exempt under section 501(c)(3) of the Code because a substantial purpose of the agency was a nonexempt commercial purpose. The court concluded that the organization did not qualify for exemption under section 501(c)(3) because its primary activity was placing children for adoption in a manner indistinguishable from that of a commercial adoption agency. The court rejected the organization's argument that the adoption services merely complemented the health related services to unwed mothers and their children. Rather, the court found that the health-related services were merely incident to the organization's operation of an adoption service, which, in and of itself, did not serve an exempt purpose. The organization's sole source of support was the fees it charged adoptive parents, rather than contributions from the public. The court also found that the organization competed with for-profit adoption agencies, engaged in substantial advertising, and accumulated substantial profits. Accordingly, the court found that the "business purpose, and not the advancement of educational and charitable activities purpose, of plaintiff's adoption service is its primary goal" and held that the organization was not operated exclusively for purposes described in section 501(c)(3). Easter House, 12 Cl. Ct. at 485-486.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), the court held that an organization that operated a school to train individuals for careers as political campaign professionals, but that could not establish that it operated on a nonpartisan basis, did not exclusively serve purposes described in section 501(c)(3) of the Code because it also served private interests more than incidentally. The court found that the organization was created and funded by persons affiliated with Republican Party entities and that most of the organization's graduates worked in campaigns for Republican candidates. Consequently, the court concluded that the organization conducted its educational activities with the objective of benefiting Republican candidates and entities. Although the candidates and entities benefited were not organization "insiders," the court stated that the conferral of benefits on disinterested persons who are not members of a charitable class may cause an organization to serve a private interest within the meaning of section 1.501(c)(3)-1(d)(1)(ii) of the regulations. The court concluded by stating that even if the Republican candidates and entities did "comprise a charitable class, [the organization] would bear the burden of proving that its activities benefited members of the class in a non-select manner."

In Airlie Foundation v. Commissioner, 283 F. Supp. 2d 58 (D.D.C., 2003), the court relied on the "commerciality" doctrine in applying the operational test. Because of the commercial manner in which this organization conducted its activities, the court found that it was operated for a non-exempt commercial purpose, rather than for a tax-exempt purpose. "Among the major factors courts have considered in assessing commerciality are competition with for profit commercial entities; extent and degree of below cost services provided; pricing policies; and reasonableness of financial reserves. Additional factors include, *inter alia*, whether the organization uses commercial promotional methods (e.g. advertising) and the extent to which the organization receives charitable donations."

In Aid to Artisans, Inc. v. Commissioner, 71 T.C. 202 (1978), the court held an organization that marketed handicrafts made by disadvantaged artisans through museums and other non-profit organizations and shops be operated for exclusively charitable purposes within the meaning of section 501(c)(3) of the Code. The organization, in cooperation with national craft agencies,

selected the handicrafts it would market from craft cooperatives in communities identified as disadvantaged based on objective evidence the Bureau of Indian Affairs or other government agencies. The organization marketed only handicrafts it purchased in bulk from these communities of craftsmen. It did not select individual craftsmen based on the needs of the purchasers. The court concluded that the overall purpose of the activity was to benefit disadvantaged communities. The method it used to achieve its purpose did not cause it to serve primarily private interests because the disadvantaged artisans directly benefited by the activity constituted a charitable class and the organization showed no selectivity with regard to benefiting specific artisans. Therefore, the court held that the organization operated exclusively for exempt purposes.

Rev. Rul. 67-138, 1967-1 C.B. 129, holds that helping low income persons obtain adequate and affordable housing is "charitable" because it relieves the poor and distressed or underprivileged. The organization carried on several activities directed to assisting low-income families obtain improved housing, including (1) coordinating and supervising joint construction projects, (2) purchasing building sites for resale at cost, and (3) lending aid in obtaining home construction loans.

Rev. Rul. 70-585, 1970-2 C.B. 115, discusses four examples of organizations providing housing and whether each qualified as charitable within the meaning of section 501(c)(3) of the Code. Situation 1 describes an organization formed to construct new homes and renovate existing homes for sale to low-income families who could not obtain financing through conventional channels. The organization also provides financial aid to eligible families who do not have the necessary down payment. When possible, the organization recovered the cost of the homes through very small periodic payments, but its operating funds were obtained from federal loans and contributions from the general public. The revenue ruling holds that by providing homes for low-income families who otherwise could not afford them, the organization relieved the poor and distressed.

Situation 2 describes an organization formed to ameliorate the housing needs of minority groups by building housing units for sale to persons of low and moderate income on an open-occupancy basis. The housing is made available to members of minority groups who are unable to obtain adequate housing because of local discrimination. The housing units are located to help reduce racial and ethnic imbalances in the community. As the activities were designed to eliminate prejudice and discrimination and to lessen neighborhood tensions, the revenue ruling holds that the organization was engaged in charitable activities within the meaning of section 501(c)(3) of the Code.

Situation 3 describes an organization formed to formulate plans for the renewal and rehabilitation of a particular area in a city as a residential community. The median income level in the area was lower than in other sections of the city and the housing in the area was generally old and badly deteriorated. The organization developed an overall plan for the rehabilitation of the area; it sponsored a renewal project; and involved residents in the area renewal plan. The organization also purchased apartment buildings that it rehabilitated and rented at cost to low and moderate income families with a preference given to residents of the area. The revenue ruling holds that the organization is described in section 501(c)(3) of the Code because its purposes and activities combated community deterioration.

Situation 4 describes an organization formed to alleviate a shortage of housing for moderate-income families in a particular community. The organization planned to build housing to be rented at cost to moderate-income families. The Service held that the organization failed to qualify for exemption under section 501(c)(3) of the Code because the organization's program did not provide relief to the poor or further any other charitable purpose within the meaning of section 501(c)(3) and the regulations.

Rev. Rul. 72-147, 1972-1 C.B. 147, holds that an organization that provided housing to low income families did not qualify for exemption under section 501(c)(3) of the Code because it gave preference to employees of a business operated by the individual who also controlled the organization. Although providing housing for low income families furthers charitable purposes, doing so in a manner that gives preference to employees of the founder's business primarily serves the private interest of the founder rather than a public interest.

Rev. Rul. 2006-27, I.R.B. 2006-21, May 4, 2006, Situation 1, finds that an organization that, as a substantial part of its activities, (i) makes assistance available exclusively to low-income individuals and families to provide part or all of the funds they need to make a down payment on the purchase of a home, (ii) offers financial counseling seminars and conducts other educational activities to help prepare potential low-income homebuyers for the responsibility of homeownership, (iii) ensures that the dwelling is inhabitable, (iv) structures its grant making process to ensure that its staff awarding the grants does not know the identity of the party selling the home or the identities of any other parties, (v) rejects any contributions that are contingent on the sale of a particular property or properties, and (vi) conducts a broad based fundraising program that attracts gifts, grants, and contributions from several foundations, businesses, and the general public qualifies for exemption from federal income tax under section 501(c)(3) of the Code.

Situation 2 finds that an organization that is similar to the organization set forth in Situation 1, except that (i) the staff considering a particular applicant's application knows the identity of the party selling the home to the grant applicant, (ii) the staff may also know the identities of other parties, such as real estate agents and developers, who may receive a financial benefit from the sale, (iii) in substantially all cases where the organization provides the down payment assistance, it receives a payment from the seller, (iv) there is a direct correlation between the amount of the down payment assistance provided in each transaction and the amount of the home seller's payment to the organization, and (v) the organization does not conduct a broad based fundraising campaign to attract financial support; rather, most of the organization's support comes from home sellers and real estate related businesses that may benefit from the sale of homes to buyers who receive the down payment assistance does not qualify for exemption from federal income tax under section 501(c)(3) of the Code.

**Rationale and Conclusion:**

Based on the information you provided in your application and supporting documentation, we conclude that you are not operated for exempt purposes under section 501(c)(3) of the Code. An organization cannot be recognized as exempt under section 501(c)(3) unless it shows that it is both organized and operated exclusively for charitable, educational, or other exempt purposes.

Among other things, the application and supporting documentation must demonstrate conclusively that the organization meets the operational test of section 1.501(c)(3)-1(c) of the regulations. Your information indicates that your primary purpose is to operate a down payment assistance program that does not exclusively serve a purpose described in section 501(c)(3).

Charitable purposes include the relief of the poor and distressed. See section 1.501(c)(3)-1(d)(2) of the regulations. You do not conduct your down payment assistance program in a manner that establishes that your primary purpose is to address the needs of low-income grantees by enabling low-income individuals and families to obtain decent and safe housing. See Rev. Rul. 70-585, Situation 1.

You provide your down payment assistance to any homebuyer that qualifies for a home loan regardless of income. You have not demonstrated that your down payment assistance program exclusively serves any other exempt purpose, such as combating community deterioration and lessening racial tensions. For example, you have not shown that your program is designed to attract a mixed-income group of homeowners to a specifically defined geographical area that has a history of racial problems. See Rev. Rul. 70-585, Situations 2 and 3

Your information indicates that you do not limit your assistance to certain geographic areas or target those areas experiencing deterioration or racial tensions. See Rev. Rul. 70-585, Situation 4. Your program is available to anyone who is able to qualify for a mortgage. Arranging the purchase of homes in a broadly defined metropolitan area does not combat community deterioration within the meaning of section 501(c)(3) of the Code.

Furthermore, you do not engage in any activity to ensure that the house will be habitable or that the buyer will be able to afford to maintain the house over time. Additionally, you do not provide oversight or conduct any educational program or other activity to ensure that buyers are purchasing properties that are safe, decent, sanitary, and affordable.

Only an insubstantial portion of the activity of an exempt organization may further a nonexempt purpose. As the Supreme Court held in Better Business Bureau of Washington D.C., Inc. v. United States, *supra*, the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes. You conduct your operations in a manner that is consistent with a commercial firm seeking to maximize sales of services, rather than in a manner that would be consistent with a charitable or educational organization seeking to serve a charitable class or the public at large. The manner in which you operate your down payment assistance program indicates that you facilitate the sale of homes in a manner that is indistinguishable from an ordinary trade or business. You operate as a business that provides services to home sellers for which you charge a fee. It is clear that the fees received from the home seller is connected to the sale of his home because you indicate that the seller is not obligated to pay the fee until the time of closing and that he will not be required to pay the fee if the sale transaction is not fully executed. In this respect, you are similar to an organization which was denied exemption because it operated a conference center for a commercial purpose. See Airlie Foundation, Inc. v. U.S., 283 F. Supp. 2d 58 (D.D.C., 2003). Likewise, operating a trade or business of facilitating home sales is not an inherently charitable activity. Thus, a substantial part of your activities furthers a nonexempt purpose.

You are not similar to the organization described in Aid to Artisans, Inc. v. Commissioner, supra, in which the court concluded that the overall purpose of the organization's activities was to benefit disadvantaged communities. The purpose of your financial assistance is to allow individuals, regardless of income, to qualify for a loan to purchase a home. You have not proved that the individuals that you are serving constitute a charitable class, i.e. low-income individuals.

Another indication of your substantial nonexempt purpose is your lack of public support. You anticipate that a substantial portion of your revenue will be derived from the fees paid by the sellers you serve. In this respect, you are similar to the organization described in Easter House, supra, which derived most of its support from fees it charged for its adoption services. In this case, the court stated that the substantial fees were not incidental to the organization's exempt purpose because they were designed to make a profit. Facilitating home sales, like running an adoption service, is not an inherently charitable activity, and receiving support primarily from fees charged to home sellers is indicative of your commercial purpose.

These payments are appropriately characterized as fees received in exchange for the sale of a service. Your information clearly indicates that you take into account whether there is a home seller willing to make a payment to cover the down payment assistance an applicant has requested. That you receive a payment from the home seller corresponding to the amount of the down payment assistance plus the service fee indicates that the benefit to the home seller is not a mere accident but rather an intended outcome of your operations. In this respect, you are like Easter House, supra, which provided health care to indigent pregnant women, but only when a family willing to adopt a woman's child sponsored the care financially. Similar to American Campaign Academy, supra, you are structured and operated to directly benefit the home sellers who pay for your services. Therefore, a substantial part of your activities serve a private rather than a public interest.

Finally, you are similar to the organization described in Rev. Rul. 2006-27, Situation 2 that did not qualify for exemption under section 501(c)(3) because, like that organization, (i) your staff considering a particular applicant's application knows the identity of the party selling the home to the grant applicant, (ii) your staff may also know the identities of other parties, such as real estate agents and developers, who may receive a financial benefit from the sale, (iii) in all cases where you provide the down payment assistance, you receive a payment from the seller, (iv) there is a direct correlation between the amount of the down payment assistance you provide in each transaction and the amount of the home seller's payment to you, and (v) you do not conduct a broad based fundraising campaign to attract financial support; rather, most of your support will come from home sellers and real estate related businesses that may benefit from the sale of homes to buyers who receive the down payment assistance.

Based on the facts and information submitted, you are not operated exclusively for exempt purposes. You have not established that your activities exclusively serve a charitable class or any other purpose defined in section 501(c)(3). Your proposed operations further a substantial nonexempt business purpose and will further the private interests of home sellers and other private parties. Therefore, you are not described in section 501(c)(3) of the Code.

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(3) of the Code and you must file federal income tax returns.

Contributions to you are not deductible under section 170 of the Code.

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. If your statement does not provide a basis to reconsider our determination, we will forward your case to our Appeals Office. You can find more information about the role of the Appeals Office in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*.

An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you during the appeal process. If you want representation during the appeal process, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative*, if you have not already done so. You can find more information about representation in 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](http://www.irs.gov), Forms and Publications.

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 appeal 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 the applicable address:

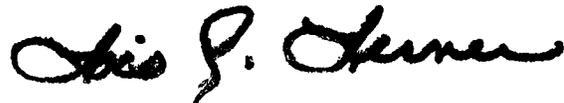
Mail to:  
Internal Revenue Service  
Exempt Organizations

Deliver to:  
Internal Revenue Service  
Exempt Organizations

You may 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 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  
Rulings & Agreements