



Department of the Treasury  
Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

Release Number: **201505042**  
Release Date: 1/30/2015  
UIL Code: 501.00-00  
501.03-00  
501.03-25  
501.35-00  
501.38-00  
501.38-01

Date: 11/6/2014

Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

1120

Tax years:

All

Dear :

This letter is our final determination that you don't qualify for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (the Code). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

Because you don't qualify as a tax-exempt organization under Section 501(c)(3) of the Code, donors can't deduct contributions to you under Section 170 of the Code. You must file federal income tax returns for the tax years listed at the top of this letter using the required form (also listed at the top of this letter) within 30 days of this letter unless you request an extension of time to file.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection (as required under Section 6110 of the Code) 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 the Notice 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

We'll also notify the appropriate state officials of our determination by sending them a copy of this final letter and the proposed determination letter (under Section 6104(c) of the Code). You should contact your state officials if you have questions about how this determination will affect your state responsibilities and requirements.

If you have questions about this letter, you can contact the person listed at the top of this letter. If you have questions about your federal income tax status and responsibilities, call our customer service number at 1-800-829-1040 (TTY 1-800-829-4933 for deaf or hard of hearing) or customer service for businesses at 1-800-829-4933.

Sincerely,

Director, Exempt Organizations

Enclosures:

Notice 437

Redacted Letter 4036, *Proposed Adverse Determination Under IRC Section 501(c)(3)*

Redacted Letter 4038, *Final Adverse Determination Under IRC Section 501(c)(3) - No Protest*



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

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

Date: 10/30/2014

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

**LEGEND:**

M = State  
N = Location  
O = Website 1  
P = Website 2  
Q = Name of Organization  
R = Website 3  
T = Concept

**UIL:**

501.00-00  
501.03-00  
501.03-25  
501.35-00  
501.38-00  
501.38-01

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.

**Issue**

Do you qualify for exemption under section 501(c)(3) of the Code? No, for the reason stated below.

**Facts**

You formed as a corporation in M. Your Articles of Incorporation state you were organized exclusively for educational and scientific purposes. Article III of the Articles of Incorporation states, "The corporation will raise awareness of how technology can be employed to improve governance local, state, federal levels. We believe that transparency and the natural accountability will improve government regardless of geography, political affiliation, and level of government."

You state that your first goal is to, "relocate their politicians back to their home districts where they

will perform their duties via teleconferencing, video conferencing and the Internet." You would like politicians to work and live in their home districts among the people they represent instead of in N with lobbyists. You have websites and a Facebook page where you post information. You have an ongoing opinion poll on Facebook to,

on your Facebook page, R, " " You also state

Statements for your websites include the following:

- From website, O:

○ " "

- From website, P:

○

○ " [Q]? [Q]

You want to educate people on how government can employ technology to be more transparent and accountable. You sponsored a panel discussion at a library to discuss T. You also plan to reach out to other organizations and provide ideas. You state that, "The next step is to make it mandatory for all states and cities to post all of their expenses online." You are non-partisan and you do not promote the interests of any political party. You stated, "We have no intentions of lobbying lawmakers."

## Law

Section 501(a) of the Internal Revenue Code ("Code") provides that organizations described under section 501(c)(3), among others, shall be exempt from income tax.

Section 501(c)(3) of the Code organizations are organized and operated exclusively for religious, charitable, or, among others, educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Section 1.501(c)(3)-1(c)(1) of the regulations proscribes 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 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.

Section 1.501(c)(3)-1(c)(3)(i) of the regulations stipulates an organization is not operated exclusively for one or more exempt purposes if it is an action organization as defined in subdivisions (ii), (iii), or (iv) of this subparagraph.

Section 1.501(c)(3)-1(c)(3)(ii) of the regulations states an organization will be regarded as attempting to influence legislation if the organization:

- Contacts, or urges the public to contact, members of a legislative body for the purpose of proposing, supporting, or opposing legislation; or
- Advocates the adoption or rejection of legislation.

Section 1.501(c)(3)-1(c)(3)(ii) of the regulations further provides the term 'legislation' includes action by the Congress, by any State legislature, by any local council or similar governing body, or by the public in a referendum, initiative, constitutional amendment, or similar procedure.

Section 1.501(c)(3)-1(c)(3)(iv) of the regulations specifies an organization is an action organization if it has the following two characteristics: (a) Its main or primary objective or objectives (as distinguished from its incidental or secondary objectives) may be attained only by legislation or a defeat of proposed legislation; and (b) it advocates, or campaigns for, the attainment of such main or primary objective or objectives as distinguished from engaging in nonpartisan analysis, study, or research and making the results thereof available to the public. In determining whether an organization has such characteristics, all the surrounding facts and circumstances, including the articles and all activities of the organization, are to be considered.

Section 1.501(c)(3)-1(d)(3) of the regulations defines the meaning of educational to include a) the instruction or training of the individual for the purpose of improving or developing the individual's capabilities; or b) the instruction of the public on subjects useful to the individual and beneficial to the community. It also provides, in part, that an organization may be educational even though it advocates a particular position or viewpoint so long as it presents a sufficiently full and fair exposition of the pertinent facts as to permit an individual or the public to form an independent opinion or conclusion. On the other hand, an organization is not educational if its principle function is the mere presentation of unsupported opinion.

Revenue Ruling 62-71, 1962-1 C.B. 85, holds that an organization does not qualify for exemption under section 501(c)(3) of the Code, since it is an 'action' organization and thus is not operated exclusively for any of the exempt purposes specified in that section. Part of the activities of the organization which consists of engaging in nonpartisan analysis, study and research and making the results thereof available to the public, when considered alone, may be classified as educational within the meaning of section 501(c)(3) of the Code. However, the organization is primarily engaged in teaching and advocating the adoption of a particular doctrine or theory. This doctrine or theory is of a nature which can become effective only by the enactment of legislation. Since the primary objective of the organization can be attained only by legislative action, a step which the organization encourages or advocates as a part of its announced policy, as opposed to

engaging in nonpartisan analysis, study and research and making the results thereof available to the public, the organization is an 'action' organization as that term is defined in section 1.501(c)(3)-1(c)(3) of the regulations.

Revenue Ruling 64-195, 1964-2 C.B. 138, finds that the exempt status of the organization under section 501(c)(3) of the Code is not affected by its nonpartisan study, research and assembling of materials in connection with court reform and the dissemination of such materials to the public. The organization does not expend any of its funds or participate in any way in the presentation of suggested bills to the State legislature, and it does not expend its funds in any campaign necessary to persuade the people to vote for the constitutional amendment. Its activity in connection with court reform is limited to the study, research and assembly of materials and the presentation of an objective analysis to those interested in court reform including those who oppose it as well as those who favor it, and to the general public.

Revenue Ruling 67-293, 1967-2 C.B. 185, describes an organization that asserted, in part, it did not conduct legislative activity because it rarely contacts legislators in its own name, but merely encourages others to do so. The ruling held that such an assertion is not valid because section 1.501(c)(3)-1(c)(3) of the regulations provides that an organization is an 'action' organization if a substantial part of its activities is attempting to influence legislation by urging the public to contact members of a legislative body for the purpose of proposing, supporting, or opposing legislation. Therefore, the organization does not qualify for exemption under section 501(c)(3) of the Code.

Revenue Ruling 70-79, 1970-1 C.B. 17, describes an organization that holds meetings to discuss, identify, and cooperate in developing regional plans and policies for such problems as water and air pollution, waste disposal, water supply, and transportation. A staff of experts engaged by the organization researches and analyzes problems discussed at the meetings and distributes reports to the local governments and news media. Although some of the plans and policies formulated by the organization can only be carried out through legislative enactments, the organization does not direct its efforts nor expend funds in making any legislative recommendations, preparing prospective legislation, or contacting legislators for the purpose of influencing legislation. Since the organization does not advocate the adoption of any legislation or legislative action to implement these findings, it is not an 'action' organization as defined in the regulations. Accordingly, it is held that the organization is exempt from Federal income tax under section 501(c)(3) of the Code.

Revenue Ruling 78-305, 1978-2 C.B. 172, provides the presentation of seminars, forums, and discussion groups is a recognized method of educating the public. By disseminating information, the organization is furthering educational purposes by instructing the public on subjects useful to the individual and beneficial to the community. The method used by the organization in disseminating materials is designed to present a full and fair exposition of the facts to enable the public to form an independent opinion or conclusion. The fact that the organization's materials concern possibly controversial topics does not bar exemption under section 501(c)(3) of the Code, so long as the organization adheres to the educational methodology guidelines of section 1.501(c)(3)-(1)(d)(3) of the regulations.

Better Business Bureau v. United States, 326 U.S. 279, states the presence of a single non-educational purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly educational purposes. It thus becomes unnecessary to determine the

correctness of the educational characterization of petitioner's operations, it being apparent beyond dispute that an important, if not the primary, pursuit of petitioner's organization is to promote not only an ethical but also a profitable business community. The exemption is therefore unavailable to petitioner.

Christian Echoes National Ministry, Inc. v. United States, 470 F.2d 849, concludes the organization does not qualify for exemption under section 501(c)(3) of the Code because it continually attempted to influence legislation by appeals to the public to react to certain issues. The fact that specific legislation was not mentioned does not mean that their attempts to influence public opinion were not attempts to influence legislation. An essential part of the organization's activities was to promote desirable governmental policies consistent with its objectives through legislation.

### **Application of Law**

An organization will not be exempt if more than an insubstantial part of its activities is not in furtherance of an exempt purpose as proscribed in section 1.501(c)(3)-1(c)(1) of the regulations. A denial of exemption due to substantial activities not furthering an exempt purpose is well-established law as discussed in Better Business Bureau v. United States, supra.

You are not operated for an exclusively exempt purpose. Your primary activity is advocating for the adoption of a particular doctrine or theory. The doctrine or theory is of a nature which can become effective only by the enactment of legislation. As such, you are defined in Section 1.501(c)(3)-1(c)(3)(iv) of the regulations as an 'action' organization.

You advocate for legislative bodies to change the rules on how they operate. Because those legislative bodies would have to undertake action to put that change in effect, that action meets the definition of legislation in section 1.501(c)(3)-1(c)(3)(ii) of the regulations. Because you urge the public to propose to legislative bodies to change the rules on how they operate, you are influencing legislation also defined in section 1.501(c)(3)-1(c)(3)(ii) of the regulations.

You established that your first goal is to relocate politicians back to their home districts. The goal you established can only be attained through legislative action. You make statements which urge the public to help achieve your goal. Considering all facts and circumstances, you possess the characteristics of an 'action' organization defined in section 1.501(c)(3)-1(c)(3)(iv) of the regulations. As such, you do not operate exclusively for exempt purposes as proscribed section 1.501(c)(3)-1(c)(3)(i) of the regulations.

Revenue Ruling 62-71 describes an organization that was denied exemption under section 501(c)(3). By promoting a position that could only be put into effect by legislative action and by not engaging in nonpartisan analysis, the organization was found to be an 'action' organization. You promote the idea that legislative bodies should change the rules under which they operate. That change could only happen through legislative action. As such, you are a non-exempt 'action' organization similar to the one in Revenue Ruling 62-71.

Revenue Ruling 70-79 describes, in contrast, an organization granted exemption under section 501(c)(3) for developing plans and policies on water and sewage issues. Some of the plans could only be carried out through legislative action. The organization did not direct its efforts in

making any legislative recommendations, and it was not found to be an 'action' organization. Your goal to relocate politicians to home districts where they perform their duties via teleconferencing, video conferencing, and the Internet can only be achieved through legislative action. Accordingly, you are unlike the organization in Revenue Ruling 70-79, and you are an 'action' organization.

### **Applicant's Position**

You contend you do not lobby. You have no intentions of lobbying lawmakers. You do not propose any specific measures for legislative bodies to adopt.

You state your goal is to educate the public that it is possible for legislators to work from home.

### **Service Response to Applicant's Position**

Even though you do not contact members of legislative bodies directly, you appeal to the public to propose the change you advocate. This is similar to the organization described in Revenue Ruling 67-293 that indirectly influenced legislative action.

Supporting or opposing specific legislation is not a requirement to be considered influencing legislation. In Christian Echoes National Ministry, the Court looked at the organization's continual attempts to influence legislation by appeals to the public to react to issues to conclude the organization was furthering non-exempt purposes. The Court also noted the fact that specific legislation was not mentioned does not mean that their attempts to influence public opinion were not attempts to influence legislation. You appeal to the public to adopt your goal of changing how legislative bodies operate. As such, you are similar to Christian Echoes National Ministry inasmuch that the Court noted an essential part of the organization's activities was to promote desirable governmental policies consistent with its objectives through legislation.

Regarding whether you are educational, section 1.501(c)(3)-1(d)(3) of the regulations provides, in part, that an organization may be educational even though it advocates a particular position or viewpoint so long as it presents a sufficiently full and fair exposition of the pertinent facts as to permit an individual or the public to form an independent opinion or conclusion. There is an educational component to your activities, but your purpose is to achieve change that can only be accomplished through legislation.

Revenue Ruling 64-195 describes an organization that was granted exemption under section 501(c)(3) for providing nonpartisan study, research and assembly of materials regarding court reform. The information included both pro-reform and anti-reform materials. Revenue Ruling 78-305 describes an organization granted exemption under section 501(c)(3). The organization disseminated information with a full and fair exposition of the facts that allowed the public to form an independent conclusion. You operate unlike both organizations in that by promoting your conclusion you do not present a full and fair exposition of the facts.

You operate as an 'action' organization.



## Conclusion

Because you are an 'action' organization, you do not meet the operational test. You are not operated for an exempt purpose under section 501(c)(3). Therefore, you do not qualify for exemption under section 501(c)(3) 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*.

*Types of information that should be included in your appeal can be found on page 2 of Publication 892, under the heading "Regional Office Appeal". The statement of facts (item 4) must be accompanied by the following declaration:*

*"Under penalties of perjury, I declare that I have examined the statement of facts presented in this appeal and in any accompanying schedules and statements and, to the best of my knowledge and belief, they are true, correct, and complete."*

*The declaration must be signed by an officer or trustee of the organization who has personal knowledge of the facts.*

*Your appeal will be considered incomplete without this statement.*

*If an organization's representative submits the appeal, a substitute declaration must be included stating that the representative prepared the appeal and accompanying documents; and whether the representative knows personally that the statements of facts contained in the appeal and accompanying documents are true and correct.*

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  
EO Determinations Quality Assurance  
Room 7-008  
P.O. Box 2508  
Cincinnati, OH 45201

Deliver to:

Internal Revenue Service  
EO Determinations Quality Assurance  
550 Main Street, Room 7-008  
Cincinnati, OH 45202

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 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,

Director, Exempt Organizations

Enclosure, Publication 892