



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

Release Number: 201617011  
Release Date: 4/22/2016  
UIL Code: 501.03-03  
501.32-00  
501.33-00  
501.35-00  
501.36-00  
501.02-00

Date: January 26, 2016

Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

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,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements

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  
P.O. Box 2508  
Cincinnati, OH 45201

**Date: November 25, 2015**

**Employer ID number:**

**Contact person/ID number:**

**Contact telephone number:**

**Contact fax number:**

**Legend:**

B = Trustee  
C = Trustee  
D = Business Trust  
L = Business Trust  
M = Unincorporated Association  
N = For-profit LLC  
O = For-profit LLC  
P = 501(c)(3) organization  
Q = For-profit corporation  
R = Fictitious Name  
S = State  
T = District  
X = Business Trust  
Y = Title  
Z = Business Trust  
e = Date  
f = Date  
g = Date  
h = EIN  
j = Date  
k = Dollar amount  
u = Date  
v = Date  
w = Date

**UIL:**

501.03-03  
501.32-00  
501.33-00  
501.35-00  
501.36-00  
533.02-00



Dear . :

We considered your application for recognition of exemption from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). Based on the information provided, we determined that you don't qualify for exemption under Section 501(c)(3) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

### Issues

- Do you qualify for tax exemption under section 501(c)(3) of the Code? No, for the reasons described below.
- Do you meet the organizational test under section 501(c)(3) of the Code? No, for the reasons described below.
- Do you meet the operational test under section 501(c)(3) of the Code? No, for the reasons described below.

### Facts

You registered in state S as a foreign business trust on date e. You amended your business name from L to Z on date u and to your current name, X, on date f.

The purposes for which you were formed as stated in your business trust document are:

To make secured credit deposits at any banking institution in the form of a pre-paid insurance policy and to move substantial credits to each subsidiary or subdivision(s) under its Parent umbrella. This trust is not classified under any specific corporate structure, thus, covering a multitude of different structures, representing the future maturity of this policy and a maximum bid on tax exempt contributions. This trust is derived from the off the records conversion of the Non-Profit which converted into a United States Limited Liability Company. The Dead status of the Domestic Non-Profit Corporation created a free and clear Title of interest and an insurance policy Now Due and owing. Credit may be extended from this policy to make substantial investments into various (joint) ventures and contributions to this International Monetary Fund are virtually unlimited, as with the PAR value revolving around the overall outstanding share credits; i.e. sufficient collateral. The Business Detail Report and Dunn's Report shall be substantial for this Certificate of Deposit, drawing its own Preferred interest, now the Authorized Securities Broker Dealer, Account(s) Manager and Clearinghouse for unsecured Debt for Q. This Company represents the private side to the same and deals in Accounts Receivables; Separate Trading of Registered Interest on Principal Securities (STRIPS) and Accounts Payable; Treasury Inflation Protected Securities or (TIPS). The same is unaffected by inflation/deflation overhauls, recession proof and stabilizes United States Currency.

Your business trust document states you issued and authorized shares of stock.

You filed a fictitious name, R, with state S on date g.



You also filed Trade names under X for your trustees, B and C.

On date v, you filed a limited liability company document with T.

Your application Form 1023 indicates that you are a corporation, a limited liability company, an unincorporated association, and a trust. You state that you engage in business transactions, through special licensing arrangements, with internal companies. These companies are held and managed by the fictitious name registration of M, from which you are Y. However, you are not directly implicated in the arrangement and therefore, do not rely on public support or support from the private sector in terms of tax reporting requirements.

You state that on date w, P was incorporated under the non-profit law of state S using the Employer Identification Number of h. P applied for and was granted exemption under IRC section 501(c)(3) effective the date of incorporation. However, the exemption was automatically revoked effective May 15, 2010, due to failure to file Forms 990 for three consecutive years. On date j, P converted out of the existence of state S to a foreign for-profit limited liability company under the laws of T under the name Z.

You also state that there can be no tax provisions on the foreign limited liability company in the state S, with principal registration occurring in T. Therefore, there can be no tax provisions on this foreign limited liability company in T, with unlicensed foreign name registration in state S.

You state that special licensing arrangements between you and M, a fictitious entity, operate independently of any regulated bylaws under the jurisdiction of state S. The special licensing arrangement operates as a separate Board of Governors by and through M as an unincorporated nonprofit association that will provide funding to you by and through the fictitious name registration M. You state M has raised the necessary funding by mortgaging Internal Revenue Service cancellation of debt to establish pre-paid credit on a perpetual 99-year lease for up-front "CASH" advances and you have committed to receiving direct financing from M's arrangement. Your trustees, B and C, have registered as Trade-names from which you are Y. Such governing instruments are not subject to public inspection for purposes of this application and thereby qualifying you as a private foundation by virtue of trade-name registrations of B and C and the unincorporated nonprofit association and not you directly. You will rely on the Internal Revenue Service to determine eligibility as a private foundation or public charity.

You state the Uniform Commercial Code ("UCC") financing statement filing that established the "Bank" and "open" accounts will verify funds on deposit and the transferability of tax credits to your 12-digit certificate account. No money down transactions will enable you to establish bank accounts with no Employer's Identification Number (EIN) or Federal Reserve Notes. However, no account will be open at a regular banking institution without these foreign source funds, as the same will imply taxation of your foreign trust entity. Therefore, the submitting Debtor on Internal Revenue Service cancellation of debt, which is N may issue "payment" of obligations from its CLOSED account. By definition, a CLOSED account remains "open" for all setoffs and adjustments by virtue of this Special Licensing Arrangement. The accounts on this instrument are Fed wired through the United States Federal Reserve banking system ("FED") and the Bureau of the Public Debt (Department of the Treasury) for guaranteed on the spot financing by cancellation of the public debt. Payable accounts in the commercial registry of the UCC financing statement are private and do not route to the FED and the Bureau of the Public Debt to keep internal accounting ledgers balanced to a perpetual zero balance. You cannot be a direct party to this action because you maintain the value of state property held in trust as permanent intrinsic value; via N, Debtor for the state of S, now on Exempt transfer to O.



You state through separate trading of the fictitious name registration of M from which you are Y is the submitting Creditor on Internal Revenue Service form(s) 1096 and 1099-C for cancellation of debt. The acceptance of the cancellation of debt creates pre-paid credit for a National LIFE insurance policy for you and B and C, and all companies held and managed by this Special Licensing Arrangement; now NON-NEGOTIABLE. Transactions will be deemed "NEGOTIABLE" as long as these brokerages remain in-house.

You state the trade-name registrations were subsequently registered by you to become beneficiaries as the basis for this Special Licensing Arrangement and a National LIFE Insurance Policy. This pre-paid credit is backed by real property and multiple contracts for rights to distribute "debt" to private companies held and managed by this Special Licensing Arrangement. These private companies will maintain liability insurance as "publicly" traded companies in the acceptance of credit distributed as "debt" under this Special Licensing Arrangement for Valuable Consideration. Providing liability insurance on the unsecured use of Federal Reserve Notes in dollar for dollar increments is pre-qualification of EXEMPT status through you. Real property land contracts may signify the amount of the loan(s) made to each held and managed company of this arrangement. Each land contract has been signed and accepted by state S and its Alien Land registration division. These "interest" payments will benefit B and C as insurance premiums and dividends on internal lease(s), rents and utilities.

You later submitted additional information and a copy of a "money order" in the amount of k payable to B and C from you and M. You then submitted a "cashier's check" in the amount of k payable to the U. S. Treasury made out by D which is a business trust formed in T. You stated that the IRS must debit the check (certificate account) of the submitting debtor to protect pre-paid credit from direct and indirect taxation (Double Rollovers) and to eliminate any conflicts of interest of the Internal Revenue Code and its taxing provisions.

You requested a reinstatement of tax exemption under IRC section 501(c)(3) via P's determination letter which will place the reorganization plan stamp on the fictitious name registration of the Association, M, automatically reinstating the EXEMPT status in your favor.

Your budget is zero for all years. You said that through separate trading of the fictitious name registration of M, you are the submitting creditor on IRS form(s) 1096 and 1099-C for the cancellation of debt and therefore, you will always have a zero balance since there is no money.

## **Law**

Section 501(c)(3) of the Internal Revenue Code exempts from federal income tax corporations, and any community chest, fund, or foundation, organized and operated exclusively for, charitable, scientific, or testing for public safety, among other purposes. It expressly forbids the inurement of net earnings to the benefit of a private shareholder or individual.

Treasury Regulation section 1.501(a)-1(c) provides that the terms "private shareholder or individual" in section 501 refer to persons having a personal and private interest in the activities of the organization.

Treas. Reg. section 1.501(c)(3)-1(a)(1) provides that an organization that fails either the organizational test or the operational test is not exempt under section 501(c)(3) of the Code.

Treas. Reg. section 1.501(c)(3)-1(c)(1) provides that an organization is operated exclusively for exempt purposes only if it engages primarily in activities which accomplish one or more exempt purposes specified in



section 501(c)(3). It is not so operated if more than an insubstantial part of its activities do not further those purposes.

Treas. Reg. section 1.501(c)(3)-1(c)(2) provides that an organization is not operated exclusively for exempt purposes if its net earnings inure to the benefit of private individuals.

Treas. Reg. section 1.501(c)(3)-1(d)(1)(ii) states that to be charitable, an organization must serve a public rather than a private interest. The organization must demonstrate 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. The private benefit restriction is not limited to benefits provided to insiders. Rather, the restriction applies to benefits provided to any individual, whether or not the individual is in a position to control or influence the organization. The private benefit restriction operates against all parties who receive a benefit not accorded the public as a whole.

Section 4.01 of Revenue Procedure 2015-9 states that “a favorable determination letter or ruling will be issued to an organization only if its application and supporting documents establish that it meets the particular requirements of the section under which exemption from federal income tax is claimed.”

Section 4.03 of Revenue Procedure 2015-9 states that “exempt status may be recognized in advance of the organization’s operations if the proposed activities are described in sufficient detail to permit a conclusion that the organization will clearly meet the particular requirements for exemption pursuant to the section of the Code under which exemption is claimed.” Additionally, “where the organization cannot demonstrate to the satisfaction of the Service that it qualifies for exemption pursuant to the section of the Code under which exemption is claimed, the Service will generally issue a proposed adverse determination letter.”

An organization is not operated exclusively for charitable purposes, and thus will not qualify for exemption under section 501(c)(3) of the Code, if it has a single non-charitable purpose that is substantial in nature. This is true regardless of the number or importance of the organization's charitable purposes. See Better Business Bureau of Washington, D. C., Inc. v. United States, 326 U.S. 279 (1945), which held activities that were in part aimed at promoting the prosperity and standing of the business community were held to serve a substantial non-exempt purpose.

In Nelson v. Commissioner, 30 T.C. 1151, 1154 (1958), the court held that an applicant for tax exempt status under section 501(c)(3) has the burden of showing it “comes squarely within the terms of the laws conferring the benefit sought.”

In American Science Foundation v. Commissioner, T.C. Memo 1986-556, the Court held that an organization was not eligible for exemption because it failed to provide sufficient information to permit the conclusion that its activities would be exclusively in furtherance of exempt purposes.

In The Church of the Living Tree v. Commissioner, T.C. Memo 1996-291 (1996), the Tax Court upheld the Service’s determination that the organization, whose secondary purpose was promotion of the (hand) papermaking industry, was not described in section 501(c)(3) of the Code. The organization also provided rent-free facilities to the founder, although the founder received no compensation for his work with the organization. The Service had determined that promotion of the papermaking industry was a substantial non-exempt purpose and that the organization provided private benefit to the founder. The court ruled that the organization had not carried its burden of proof to show the Service’s determination was erroneous.



## Application of law

Section 501(c)(3) of the Code and Treas. Reg. section 1.501(c)(3)-1(a)(1) set forth two main tests for an organization to be recognized as exempt. An organization must be both organized and operated exclusively for purposes described in section 501(c)(3). Based on the information you provided in your application and supporting documentation, we conclude that you fail both tests.

You are formed as a business trust and the trust document authorizes you to issue capital stock and to make distributions to stockholders. As a result your net earnings are set to inure to private individuals. The holding of stock by any private individual that entitles that individual to any part of your assets or income constitutes inurement prohibited under section 501(c)(3) of the Code. Because your organizing documents are structured in this manner you do not meet the organizational test.

You do not meet the requirements of Treas. Reg. section 1.501(c)(3)-1(d)(1)(ii) because you serve private interests, namely, the business interests involving financial transactions encouraging the distribution of credit as "debt" or liability insurance. Also, because you are operating for commercial purposes in furtherance of private, rather than public, purposes, you do not meet the operational test (Treas. Reg. section 1.501(c)(3)-1(a)(1)) and therefore do not qualify for exemption under section 501(c)(3) of the Code.

You do not meet the requirements of Treas. Reg. section 1.501(c)(3)-1(c)(1) because more than an insubstantial amount of your activities are furthering non-exempt purposes. Your operations benefit private parties, namely, private businesses or creditors. You are similar to the organization in Better Business Bureau of Washington, D. C., Inc. v. United States, in that you have a substantial purpose to help you and your related business entities and creditors to become tax free entities, an activity which is not in furtherance of any exempt purpose within the meaning of section 501(c)(3) of the Code.

In accordance with Treas. Reg. section 1.501(c)(3)-1(c)(2), you are not operated exclusively for exempt purposes because your net earnings inure to the benefit of private individuals. You are conducting business transactions as a for-profit business and to ensure you, your related for-profit businesses, and your creditors are not liable for taxes. See also The Church of the Living Tree v. Commissioner.

You do not provide sufficient documentation to support that you conduct or plan to conduct activities described in section 501(c)(3) of the Code, as stated in Nelson v. Commissioner. Revenue Procedure 2015-9 maintains that a favorable determination letter will not be issued to an organization unless its application and supporting documents establish that it meets the particular requirements for the section under which it claims tax exemption. Your application does not establish that you meet the particular requirements for exemption under section 501(c)(3) of the Code.

Exempt status can be recognized in advance of operations if proposed operations can be described in sufficient detail to permit a conclusion that the organization will clearly meet the requirements of section 501(c)(3) of the Code (American Science Foundation v. Commissioner). You have not clearly established you meet these requirements.



## **Your position**

You state because you carry a zero balance account, therefore, you should be granted exemption under section 501(c)(3) of the Code. If P's tax exemption is reinstated, it will automatically give you the exemption status under section 501(c)(3).

## **Our response to your position**

Your activities promote business transactions of credits, debt, or liability insurance to each privately held and managed company of the Special Licensing Arrangement between you and related entities. Nothing in your application described charitable or educational activities, only why you should not be liable for tax provisions.

You were also formed as a for-profit business trust with shareholders. You are not formed as a non-profit public benefit corporation. The direct and primary beneficiaries would be your shareholders and your related business entities. For this reason, you are more than insubstantially serving private interests. The existence of one non-charitable purpose that is substantial in nature is cause for denial of exemption. Furthermore, an organization will not qualify for exemption if it is operated for a mixture of exempt and non-exempt purposes. You are only operating for non-exempt purposes.

In addition, P no longer has a legal standing for exemption since it converted out from a non-profit public benefit corporation incorporated in state S. P is no longer in existence as a corporation in state S. In fact, P's status is "dead" with state S. P is also auto-revoked by the Internal Revenue Service for not filing Forms 990 for three consecutive years. Exempt status may not be transferred to another corporation, especially to the "dead" corporation; therefore, you will not be granted exemption through the reinstatement of tax exemption of P.

## **Conclusion**

Based on the facts and circumstances presented, you do not qualify for recognition of exemption from federal income tax as an organization described in section 501(c)(3) of the Code. You are not organized and operated exclusively for exempt purposes as set forth in section 501(c)(3).

Your net earnings inure to the benefit of your trustees, who are private individuals.

As a result, we conclude that you are not operated exclusively for public rather than private purposes. We conclude based on the stated facts that you do not qualify for tax exemption because more than an insubstantial part of your activities is not in furtherance of exempt purposes.

## **If you don't agree**

You have a right to file a protest if you don't agree with our proposed adverse determination. To do so, you must send a statement to us within 30 days of the date of this letter. The statement must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with



- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative
- One of the following declarations:

**For an officer, director, trustee, or other official who is authorized to sign for the organization:**

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

**For authorized representatives:**

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

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, *Power of Attorney and Declaration of Representative*, with us if he or she hasn't already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of Attorney*.

We'll review your protest statement and decide if you provided a basis for us to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't provided a basis for reconsideration, we'll forward your case to the Office of Appeals and notify you. You can find more information about the role of the Appeals Office in Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

**Where to send your protest**

Please send your protest statement, Form 2848, if needed, and any supporting documents to the applicable address:

U.S. mail:

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

Street address for delivery service:

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



You can also fax your statement and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that he or she received it.

**If you agree**

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

You can find all forms and publications mentioned in this letter on our website at [www.irs.gov/formspubs](http://www.irs.gov/formspubs). If you have questions, you can contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements

Enclosure:  
Publication 892