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CERTIFIED MAIL

Dear Applicant:

We have completed our review of your application for recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code.

The information you submitted indicates that you were incorporated under the laws of the [redacted] on [redacted]. Your stated purpose is to disseminate Christian principles and teachings through seminars, retreats and Bible Classes. You state you will carry out these purposes according to section 501(c)(3) of the Internal Revenue Code.

Your Articles of Incorporation further state you will be organized exclusively for religious and educational purposes, including for such purposes as the making of distributions to organizations described under section 501(c)(3) of the Internal Revenue Code.

Your Articles of Incorporation also contain the statement "No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its directors, officers, or other private person except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of section 501(c)(3) of the Internal Revenue Code."

Your Articles of Incorporation contain adequate provisions for the distribution of your assets in the event your organization dissolves.

Your Articles of Incorporation also provide that the business of the ministry shall be conducted as provided in the By-Laws and the officers likewise shall be elected as provided in the By-Laws.

Your current Board of Directors consists of:

- President
- Secretary/Treasurer
- Director

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[redacted]	[redacted]	[redacted]				
Surname							
Date	6-26-90	6/26/90	7/2/90				

Your Articles of Incorporation do not contain any further information regarding your activities or internal operations. All information regarding these activities are referenced to be contained in your By-Laws which have not been provided.

Your major activities as stated in your application, involve full time evangelism. You state you hold seminars, Bible study classes and revivals in church buildings, auditoriums and tents. You have provided information to support that this activity has been carried out on a regular basis since [REDACTED].

Income to your organization comes from contributions from the general public. During [REDACTED] you show receipts of \$[REDACTED].

During [REDACTED] your financial statement shows the following expenses were paid from the organizations receipts.

[REDACTED] Budget

<u>Item</u>	<u>Amount</u>
Rental Expense	\$[REDACTED].
Depreciation	[REDACTED].
Other Expenses	
Legal Fees	[REDACTED].
Supplies	[REDACTED].
Telephone	[REDACTED].
Postage & Shipping	[REDACTED].
Occupancy	[REDACTED].
Equipment Maintenance	[REDACTED].
Printing Publications	[REDACTED].
Travel	[REDACTED].
Total	\$[REDACTED].

You have provided projected budget information for years [REDACTED] and [REDACTED]. This information details the following amounts for receipts and expenses.

<u>Receipts</u>	[REDACTED]	[REDACTED]
Contributions	\$[REDACTED]	\$[REDACTED]
<u>Expenses</u>		
Rent of equipment	\$[REDACTED]	\$[REDACTED]
Depreciation	[REDACTED].	[REDACTED].

[REDACTED]		
(Expenses con't.)		
Other Expenses (Listed)	\$ [REDACTED]	\$ [REDACTED]
Telephone		
Postage & Shipping		
Equipment maintenance		
Printing Publications		
Travel		
Occupancy		
Supplies		
 Total Expenses	 \$ [REDACTED]	 \$ [REDACTED]
Net Proceeds	\$ [REDACTED]	\$ [REDACTED]

You have indicated in your application that there are no expenditures for compensation, salaries or wages, or a parsonage of any type.

You have also indicated in your applications financial data, that in addition to paying a rental fee for equipment used by the ministry, the ministry will pay to maintain the upkeep and repair of the leased equipment and this expense will be entered under equipment, maintenance and occupancy.

You have indicated in subsequent information that the equipment being leased by the ministry is owned personally by [REDACTED], President of [REDACTED].

You have provided information to indicate that in [REDACTED] a total of \$ [REDACTED] was paid for expenses related to the rental of, and maintenance of equipment from [REDACTED].

You have indicated on the projected financial budgets that for [REDACTED], that \$ [REDACTED] will be spent for rental of equipment with \$ [REDACTED] estimated for maintenance, and for [REDACTED], \$ [REDACTED] for rental of equipment with \$ [REDACTED] estimated for maintenance.

You have subsequently provided a statement titled "Rental Contract", which is submitted as verification of an arms length agreement between [REDACTED] and [REDACTED].

Although this contract contains an itemized list and a statement as to the need for the equipment being leased, it does not contain any authorizing signatures.

Section 501(c)(3) of the Internal Revenue Code provides for the exemption from federal income tax of organizations organized and operated exclusively for religious, charitable and other stated purposes.

[REDACTED]

Income Tax Regulations section 1.501(c)(3)-1(a)(1) provides that, to be exempt, an organization described in section 501(c)(3) must be both organized and operated exclusively for one or more of the purposes described in this section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Regulations section 1.501(c)(3)-1(b)(1) specifies that an organization is organized exclusively for one or more exempt purposes only if its articles of organization limit the purposes of such organization to one or more exempt purposes.

Regulations section 1.501(c)(3)-1(c)(1) stipulates that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish any of the activities 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(d)(1)(ii) of the regulations state that an organization is not organized or operated exclusively for exempt purposes unless it serves public rather than private interest. Thus, to meet the requirement of this section, it is necessary for the organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, or persons controlled directly or indirectly by such private interests.

Our review of your Articles of Incorporation have determined that a substantial part of your organizations operation has not been adequately explained.

Within your Articles of Incorporation you have referred to your By-Laws for information regarding the business of the corporation and the election of officers of the corporation.

You have failed to provide a copy of the By-Laws which specifically address the operations of the [REDACTED]

Revenue Ruling 76-91. 1971 C.B., 150, discusses in part the elements required for an arm's length transaction. This revenue ruling states that "... where an organization purchases assets from an independent third party, a presumption exists that the purchase price (arrived at through negotiations) represents fair market value. However, where the purchaser is controlled by the seller or there is a close relationship between the two, at the time of sale, this presumption cannot be made because the elements of an arm's length transaction are not present.

[REDACTED]

Our review of the information submitted indicates that a less than arm's length transaction exists between [REDACTED] and [REDACTED] regarding the rental, maintenance and upkeep of equipment owned by [REDACTED] and leased to his ministry. The need for documentation regarding the rental activity has not been support by an unauthorized rental agreement.

You have not provided in the agreement necessary data regarding, specific length of rental, amount of rental and the necessary authorization for the rental.

To qualify for exemption under section 501(c)(3), the applicant organization has the burden of showing: (1) that it was organized and operated exclusively for religious other stated purposes, (2) that no part of its net earnings inured to the benefit of a private individual or shareholder, and (3) that no substantial part of its activities consisted of the dissemination of propoganda or otherwise attempting to influence legislation or engaging in political activity, National Association of American Churches v. Commissioner, 82 TC 18 (1984).

Our analysis of your activities indicates more than an insubstantial benefit to the President of your organization, [REDACTED].

Our review has indicated that for [REDACTED] \$ [REDACTED] was paid to [REDACTED] and expenses of \$ [REDACTED] were paid for [REDACTED] in maintenance of his personal property. Also we have estimated, based on projected budgets that for [REDACTED] a total benefit of \$ [REDACTED], and for [REDACTED] a total benefit of \$ [REDACTED] will be realized.

An overall average of receipts of the organization to expenses paid directly or indirectly to [REDACTED] would equal [REDACTED] % of the organizations gross receipts.

Our review of the application and subsequent information submitted indicates that while your organization meets the organizational test to be exempt under section 501(c)(3), you have not met your burden of proof to show that you are operated exclusively for an exempt purpose described in this section. While some of your activities serve a religious purpose, the use of ministry funds to pay for expenses incurred by the founders, indicates that you are operated for a substantial nonexempt purpose. In addition, your activities serve the private interests of your founders and creators rather than public purposes and your net earnings inure to the benefit of private individuals.

[REDACTED]

Based on the information submitted, we have determined that you are not entitled to exemption under section 501(c)(3) and are a taxable entity. You are required to file federal income tax returns on Form 1120.

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

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if your request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

If you do not appeal this determination within 30 days from the date of this letter, as explained in the enclosed Publication 892, this will become our final determination on this matter. In accordance with section 6104(c) of the Code, we are notifying the appropriate state officials of this determination. Further, if you do not appeal this determination within the time provided, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) provides, in part, that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

[REDACTED]

[REDACTED]

Acting District Director

Enclosure: Publication 892

cc: State Attorney General ([REDACTED])