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Date 2-23-83

Surname [REDACTED]

24 JAN 1983

Dear Sir/Madam:

We have considered your application for recognition of exemption from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code of 1954.

The information submitted indicates that your school district has been in existence since [REDACTED]. Public school districts in the State of [REDACTED] do not have separate articles of incorporation or by-laws. However, [REDACTED] State Statutes codified as [REDACTED] describe the purposes of public school districts in the State of [REDACTED] and other information usually found in articles of incorporation. These statutes do not include clauses which limit your purposes to those consistent with section 501(c)(3) of the Code, nor do they include a clause dedicating your assets to an organization exempt under section 501(c)(3) of the Code in the event that you dissolve.

In *School District No. 37 v. Jackson* (1937) 32 F. 2d 768 and *Howard v. Tacoma School District* (1915) 63 Wash. 167, 152 P. 1004 the court held that school districts in the State of Washington although corporate entities and classified as municipal corporations, are essentially only quasi municipal corporations and are mere arms of the state for administration of its school system.

Section 501(c)(3) of the Code provides for the exemption of "corporations, and any other community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, ... or educational purposes, ..."

Section 1.501(c)(3)-1 of the Income Tax Regulations states that for an organization to be exempt under section 501(c)(3) of the Code, it must be organized and operated exclusively for one or more purposes specified in that section. To be organized properly, an organization's charter or other creating document must limit its purposes exclusively to one or more exempt activities. In addition, the organization's assets must be dedicated exclusively to organizations in furtherance of section 501(c)(3) purposes in the event of dissolution.

Revenue Ruling 59-104, 1959-2 C.B. 172, discusses circumstances under which a wholly-owned instrumentality of a local government may qualify for exemption under section 501(c)(3) of the Code. In short, the ruling holds that an organization must be separately organized and operated, and it must be a clear counterpart of an organization described in section 501(c)(3) of the Code. An integral part of a State or local government cannot qualify for exemption under this test since the purposes of government and its parts are not exclusively those mentioned in section 501(c)(3) of the Code; and because the enforcement powers and regulatory powers of government entities have no counterpart among exempt organizations. Thus, a school, recreation center or hospital, which without such powers may be a clear counterpart of an exempt entity, still cannot qualify for recognition of exemption if it is simply a part of government. On the other hand, the school, recreation center, or hospital can be wholly-owned by a county or state, and if it has no governmental powers and is separately organized and operated, it may qualify for exemption under section 501(c)(3) of the Code.

Based on the information submitted, we conclude that you were established and will be operated as an integral part of the State of [redacted] government in that it serves to carry out the governmental function relating to the enactment of [redacted] State Statutes codified as [redacted]. Accordingly, you act in your capacity as an agency of the State government rather than an organization distinct from the State. Furthermore, your enabling document, does not contain a clause limiting your activities to those described in section 501(c)(3) of the Code nor does it contain a clause properly dedicating your assets upon dissolution. See section 1.501(c)(3)-1(b) of the Income Tax Regulations.

You have a right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your principal officers, must be submitted within 21 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference. If you want one when you file your protest statement. If you are to be represented by someone who is not one of your principal officers, that person will need to file a proper power of attorney and otherwise qualify under our Conferences and Practices Procedures.

If you do not protest this proposed ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7426(e)(2) of the Internal Revenue Code provides, in part, that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims or the District Court of the United States for the District of Columbia determines that the organization involved has

[REDACTED]

exhausted administrative remedies available to it within the Internal Revenue Service."

If we do not hear from you within 21 days, this ruling will become final, and copies of it will be forwarded to the District Director, Seattle. Thereafter, any questions about your federal income tax status or the filing of tax returns should be addressed to that office.

Also, the appropriate State officials will be notified of this action in accordance with section 6104(c) of the Code.

Sincerely yours,

(Signed) [REDACTED]

[REDACTED]
Chief, Rulings Section
Exempt Organizations
Technical Branch

cc: DD, Seattle
Attn: ED Group

INTERNAL REVENUE

JUL 14 1983

DIRECTOR'S OFFICE
SEATTLE