

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

NOV 10 1981

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

The information submitted indicates that you were incorporated under the State of [REDACTED] Non-Profit Corporation Act on [REDACTED]. You were organized to provide, maintain and distribute the annual net income from your farming and ranching ministry in the form of charitable gifts, grants and contributions to needy individuals and families, needy religious organizations, fellowships, ministries, and/or schools. The contributions and charitable gifts are to be used by applying the Scriptural principles, precepts and values to the immediate spiritual and natural needs of individuals, groups and society as a whole through the action of giving to the needs.

You will operate three types of ministries. The charitable ministry will be primarily for seeking out and giving charitable contributions in the form of money, goods or services to needy individuals, families or organizations. The religious ministry will establish and support a community center to teach and instruct individuals of all age groups how to operate in the gifts of the Spirit and to establish and support a regional annual religious festival for teaching, music, praise and prayer. The farm and ranch ministry will raise funds by operating a working cattle ranch and through the sale of natural resources. Funds from the farm and ranch ministry will be used to finance the other two ministries.

Financial data submitted with the application indicates that ranch and farm operations are very substantial. Your average livestock inventory is about [REDACTED] head and your farm approximately [REDACTED] acres of land. Your average livestock production is approximately [REDACTED] pounds per year and your average crop production is approximately [REDACTED] tons per year.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
		[REDACTED]					
Surname		[REDACTED]					
Date		110981					

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(3) Corporations, \*\*\* fund, or foundation, organized and operated exclusively for religious, charitable, scientific, \*\*\* literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involved the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings 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 any candidate for public office."

Section 1.501(c)(3)-1 of the regulations provides, in part, as follows:

(e)(1) An organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business, as defined in section 513. In determining the existence or non-existence of such primary purpose, all the circumstances must be considered, including the size and extent of the trade or business and the size and extent of the activities which are in furtherance of one or more exempt purposes.

Based on the information submitted, it is held that your primary purpose is the operation of an unrelated trade or business. Your cattle ranch is considered to be an unrelated trade or business because it is a trade or business, it is regularly carried on, and it is not substantially related to your charitable and religious purposes. The fact that the profits derived from the ranch are used to finance your exempt purposes does not make such ranch operations related to your exempt purposes. Since the ranch operations are a substantial part of your activities, you are not operated exclusively for exempt purposes. In Better Business Bureau vs U.S., (326 U.S. 279(1945)), the Supreme Court of the United States said "This plainly means that the presence of a single noneducational purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly educational purposes." Revenue Ruling 74-553, 1974-2 Cumulative Bulletin, 168 provides that this rationale applies equally to any category of charitable purposes under section 501(c)(3) of the Code.

Accordingly, it is held that you do not qualify for exemption from Federal income tax under section 501(c)(3) of the Code. You are required to file an annual Federal income tax return on Form 1120.

Contributions, bequests, legacies, devises, transfers, or gifts to you are not deductible under sections 170, 2055, 2106, and 2522 of the Code.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(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 exhausted administrative remedies available to it within the Internal Revenue Service."

If this determination letter becomes a final determination, we will notify the appropriate State Officials, as required by section 6104(c) of the Code, that based on the information we have, we are unable to recognize you as an organization of the type described in Code section 501(c)(3).

Sincerely,

  
District Director

Enclosures:  
Publication 892  
Form 6018