

Internal Revenue Service  
District Director

Department of the Treasury

Post Office Box 1680, GPO  
Brooklyn, NY 11202

Date: DEC 23 1993

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

The evidence presented disclosed that you were formed as an unincorporated association on [REDACTED].

The purpose for which the association was formed is as follows:

To create educational opportunities for children of pension industry employees who die or are disabled in an untimely manner. The organization will assist in disseminating information about the creating and management of educational trust funds and will help raise contributions for scholarships and education trust funds for children of pension employees.

The information submitted with your application form 1023 indicates that [REDACTED] was formed to fund a trust to assist in the education of the children of [REDACTED], a deceased employee of [REDACTED].

In the by-laws section of your organizing document, the organization stipulates that all (1) contributions shall be used to fund trust funds or scholarships for eligible recipients. (2) contributions earmarked for the family of one individual must be used for the benefit of that family (3) contributions not earmarked shall be distributed as decided by vote of the [REDACTED] officers based on input by the [REDACTED] membership.

In response to our letter dated [REDACTED], you advised that [REDACTED]'s death inspired the formation of the Association and that his children have been the beneficiaries of all funds raised to date. In addition, you have indicated in your [REDACTED] letter and attachments thereto that you intend to perform the same service for others.

In your 1023 application, you indicated in Part II that members receive the ability to influence general donations in return for their dues.

In the Part III of your 1023 application, you indicated that you are an organization providing scholarships. Information contained in the scholarship questionnaire stated that recipients must be minor dependents of persons employed within the last 24 months in the pension industry who have died or been disabled and that there are no other restrictions on selection procedures. You also indicated that contributors as members help determine recipients of the awards.

Section 501(c)(3) of the Code provides, in part, for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, religious, scientific or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(c)(1) of the Regulations states that if more than an insubstantial part of an organization's activities is not in furtherance of exempt purposes, the organization will not be regarded as exempt.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations provides, in part, that an organization is not organized or operated exclusively for one or more of the purposes mentioned in section 501(c)(3) of the Code unless it serves a public rather than a private interest. An organization may not be exempt if it is operated for the benefit of private individuals.

Rev. Ruling 67-367 C.B. 1967-2 Pg. 188 held that an organization whose sole activity is the operation of a scholarship plan for making payments to pre-selected, specifically named individuals does not qualify for exemption under section 501(c)(3) of the Code. The organization pays scholarships to pre-selected, specifically named individuals designated by members. Thus, the organization is serving private interests rather than public charitable and educational interests contemplated under section 501(c)(3) of the Code.

Like the organization described in Revenue Ruling 67-367, your organization establishes trust funds for scholarships for pre-selected specially named individuals. Contributions earmarked for the family of one individual must be used for the benefit of that family. All fund raising to date has been for the benefit of one pre-selected family fund raising. Therefore, we have determined that you are not operated exclusively for the public charitable and educational purposes contemplated in section 501(c)(3) of the Code.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(3) of the Code and propose to deny your request for exemption under that section.

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the proposed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time this determination will be considered final and the appropriate State Officials will be notified.

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 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."

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[Redacted Signature]  
District Director

Enclosure: Publication 892