

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

JUN 20 1962

Dear Sirs

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

The information submitted indicates that you are an unincorporated association, created in [REDACTED] and operating under a set of bylaws.

Your purposes, as stated in your bylaws, are to encourage and promote the efforts of [REDACTED] artists in the [REDACTED] area by providing exposure of the artists' work.

The organization rents a cabin at [REDACTED], where the art works of members are offered for sale. Each member must volunteer some time staffing the cabin.

Income is from dues and from a [REDACTED] % commission on art works sold. [REDACTED] percent of gross sales must be turned over to [REDACTED] for rental of the cabin. Other expenses include power and supplies.

Membership is limited to [REDACTED] full-time and [REDACTED] part-time members. Dues are \$[REDACTED] per year.

Section 501(c)(3) of the Code provides for the exemption of organizations which are organized and operated exclusively for religious, charitable, and 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(a)(1) of the Income Tax Regulations states that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in that section. If any organization fails to meet either the organizational or operational test, it is not exempt.

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
SIR NAME							
DATE							

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations provides, in part, that an organization is not organized and operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest.

Revenue Ruling 71-395, 71-2 C.B. 228 held that a co-operative art gallery formed and operated by a group of artists for the purpose of exhibiting and selling their works serves the private purposes of members and does not qualify for exemption under section 501(c)(3).

Because you have not limited your purposes to those set forth in section 501(c)(3), have not dedicated your assets to an exempt purpose, and serve the private purposes of your artist - members, we find you do not qualify for recognition of exemption from Federal income tax under section 501(c)(3).

We have considered whether any other paragraph of section 501(c) might apply, and find that they do not. Accordingly, you are required to file Federal income tax returns on Form 1120 for each year you have been in existence. You may realize some tax savings by operating as a subchapter T co-operative.

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

If you accept our findings, you do not need to take further action.

If you do not accept our findings, we recommend that you request a conference with the Office of Regional Director of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 852. You will then be contacted to arrange a date for a conference. The conference may be held at our Regional office or, if you request, at any mutually convenient District office.

If we do not hear from you within 30 days from the date of this letter, this ruling will become final. If you have any questions, please contact the person whose name and telephone number are shown above.

[REDACTED]

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."

A copy of this letter is being sent to appropriate State officials in accordance with Internal Revenue Code section 6104(c).

Sincerely yours,

[REDACTED]
District Director

cc: Commissioner of Taxation
Department of Revenue