DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

DEPUTY COMMISSIONER

November 23, 2012

The Honorable Carl Levin
Chairman, Permanent Subcommittee on Investigations
Senate Committee on Homeland Security
and Government Affairs
United States Senate
Washington, DC 20515

Dear Mr. Chairman:

I am responding to your letter to Commissioner Shulman dated October 23, 2012, requesting additional information about section 501(c)(4) organizations. This response supplements our previous responses dated June 4, 2012, July 13, 2012, August 24, 2012, September 14, 2012, and October 17, 2012, and addresses the additional questions raised in your recent letter.

Question 1. The October 17, 2012, letter from the IRS indicates that it is unable to locate the application submitted by Americans for Prosperity (EIN 75-3148958) for tax exempt status under section 501(c)(4). Has the IRS asked Americans for Prosperity for a copy of its application? If so, please provide a copy of the response from Americans for Prosperity.

We have not asked Americans for Prosperity for a copy of its application. As indicated in our responses dated June 4, 2012, and October 17, 2012, section 6104(d) of the Internal Revenue Code (the Code) requires tax exempt organizations to make certain documents, including applications for exemptions, available for public inspection. Any individual may request copies of applications for exemption and determination letters directly from the organizations. Under the Code, if an organization has filed an application for tax-exemption and we have approved the application, the exempt status application materials shall be made available by such organization for inspection upon request of any individual.[1]

[1] Section 6104(d) of the Code.

Question 2. Has the IRS examined whether or not the following 501(c)(4) organizations are engaged primarily in the promotion of social welfare? Please indicate yes or no, and, if yes, whether the examination is still pending.

a. **Crossroads Grassroots Policy Strategies**
b. **Priorities U.S.A**
c. **Americans for Prosperity**
d. **Patriot Majority USA**

As previously stated in our response dated June 4, 2012, section 6103 of the Code prohibits the disclosure of information about specific taxpayers, including whether they are under investigation or examination, unless the disclosure is authorized by some provision of the Code.[2] Thus, we are legally prohibited from disclosing information related to examination activity.

Question 3. In my letter of March 30, 2012, I asked the IRS to indicate how many letter rulings have been issued by the IRS since January 1, 2007, to deny or revoke the tax-exempt status of an organization under section 501(c)(4) due to involvement with political activity. I further requested that, if the IRS had issued 10 or less such letter rulings, the IRS provide copies of all such letters. Mr. Miller responded that, "The application process for tax-exempt status does not involve the revocation of tax exemption; rather, it only concerns the denial of applications." He did not provide copies of the denials of applications he referred to.

Please provide the documentation requested in my March 30, 2012, letter.

As previously stated, section 6103 of the Code prohibits the disclosure of information about specific taxpayers unless some provision of the Code authorizes the disclosure. Section 6104(a) of the Code permits public disclosure of an application for recognition of tax-exempt status and supporting materials only after the organization has been recognized as exempt. Under section 6110 of the Code, if we ultimately deny the application for recognition of tax-exempt status, the denial letter and background information is subject to public inspection, with identifying and other information redacted, to help the public understand our reasoning while also protecting the identity of the organization.

[2] Section 6103(f) of the Code sets forth the means by which congressional committees may obtain access to return and return information (that is not otherwise made publicly available under sections 6104 and 6110). We are available to discuss these rules in more detail with your staff.

Since January 1, 2007, we have issued ten adverse determinations to section 501(c)(4) applicants. We concluded that the organizations did not primarily operate for the promotion of social welfare. Generally, they were primarily engaged in activities that benefited private individuals and interests, and/or constituted direct and indirect political campaign intervention on behalf of, or in opposition to, candidates for public office. I am enclosing redacted determination letters denying section 501(c)(4) tax exempt status to the ten organizations. Note, however, that the number of adverse determinations does not represent the number of organizations that applied, but were not granted tax-exempt status under section 501(c)(4). Some organizations withdraw their application for exemption when they learn that a denial is forthcoming. Others do not formally withdraw, but do not respond to requests for information necessary to develop their applications. After additional failed attempts to get the information from the applicant, we close those applications as "failure to establish."

Question 4. In August 2012, I asked the IRS to indicate "how many 501(c)(4) organizations which appear to be primarily engaged in political activity have been notified by the IRS within the last 6 months that they may be in violation of the law." Mr. Miller responded that, "During the past six months, no notices of proposed or final revocation were issued to section 501(c)(4) organizations."

a. How many notices of proposed or final revocation have been issued since January 1, 2007? If the IRS has issued 10 or less such letter rulings, please provide copies of all such letters.

We have issued 42 revocation notices to section 501(c)(4) organizations since January 1, 2007. These organizations were revoked for failing to meet the requirements under section 501(c)(4). In addition to the 42 revocations, we issued 18 organizations written advisories noting irregularities, which if left unchanged, posed a risk to the organizations of possible loss of their tax-exempt status under section 501(c)(4).

b. Since January 1, 2007, how many 501(c)(4) organizations have been examined by the IRS to determine if they are engaged in political activity in amounts which exceed IRS guidelines?

As discussed in prior responses, when we examine a section 501(c)(4) organization, the objective of the audit is to determine whether that organization qualifies for tax-exempt status as a social welfare organization. As discussed in our June 4, 2012, response, we have taken no position on a fixed percentage or any one factor in precedential guidance. To determine whether an organization operates primarily for the promotion of social welfare, the courts and the IRS consider all the facts and circumstances, including, but not limited to, the organization's stated purposes, expenditures, principal source of revenue, number of employees and volunteers, and time and effort.[3]

[3] Treasury Regulation section 1.501(c)(4)-1(a)(2) (No percentage test established). Rev. Rul. 68-45,1968-1
C.B. 259 (Principal source of income does not determine an organization's primary activity under section 501(c)(4); all the facts and circumstances are considered). *See, generally Haswell v. United States,* 500

From January 1, 2007, through September 2012, we have examined 643 section 501(c)(4) organizations to determine whether they are primarily engaged in social welfare activities. We analyzed a variety of issues during these examinations, including, where relevant, the level of political activity.

Of the 643 organizations examined, the Principal Issue Codes (PIC codes) in our system indicate political activity was one of the issues explored in the examination of 22 section 501(c)(4) organizations. We use PIC codes to capture the issues on which an IRS agent spent time during an examination or that resulted in a change, and we enter them as part of the closing process of a case. Although currently 96 PIC codes exist, agents may only report the top four PIC codes. The determination of which PIC codes are applicable to a particular case is a judgment the agent makes. Please note that although PIC codes are a tool to identify issues and trends, PIC codes do not cover all issues in a case. Therefore, without a manual review of the case files, we cannot definitively conclude whether we examined an organization to determine the level of political activity.

I hope this information is helpful. If you have questions, please contact me or have your staff contact Catherine Barré, Director, Legislative Affairs, at (202) 622-3720.

Sincerely,

Steven T. Miller
Deputy Commissioner
for Services and Enforcement

Enclosures (10)

F.2d 1133, 1142, 1147 (Cl. Ct. 1974) ("A percentage test ... is not appropriate. Such a test obscures the complexity of balancing the organization's activities in relation to its objectives and circumstances in the context of the totality of the organization."). *See, Contracting Plumbers v. United States,* 488 F.2d 684, 686 (2d Cir. 1973) (multiple factors relevant in applying this standard, including formative history, stated purposes, and actual operations). *See generally Seasongood V. Commissioner,* 227 F.2d 907, 909, 912 (6th Cir. 1955) (expenditures, employees, and organization's time and effort considered).

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **200833021**
Release Date: 8/15/2008

Date: May 20, 2008

U.I.L. 501.04-03

SE:T:EO:RA:T:3

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:
1120
Tax Years:
ALL

Dear :

This is our final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code section 501(a) as an organization described in Code section 501(c)(4).

We made this determination for the following reason(s): You were not primarily engaged in activities that promote social welfare. Your activities primarily constituted direct and indirect participation in political campaigns on behalf of, or in opposition to, candidates for public office.

In a letter dated January 17, 2008, you submitted a copy of the minutes of the meeting of your Board of Directors dated September 17, 2007, which approved your dissolution effective September 30, 2007. A statement of your dissolution was filed with your state on September 14, 2007.

You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose,* and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at

1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Robert Choi
Director, Exempt Organizations
Rulings & Agreements

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

U.I.L. 501.04-03 No Third Party Contacts

July 31, 2000

Contact Person:

ID Number:

Telephone Number:

Employer Identification Number:

Legend:

X =
Year 1 =
State 1 =
State 2 =
W =
Seminar =
Newsletter =
Conference =

A =

Dear :

We have considered your application for recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(4). Based upon all of the materials you have submitted in connection with your application, we have concluded that your activities primarily constitute direct and indirect participation or intervention in political campaigns on behalf of or in opposition to candidates for public office. Accordingly, we have concluded that you are not primarily engaged in activities that promote social welfare and do not qualify for recognition of exemption under section 501(c)(4).

STATEMENT OF FACTS:

The information you have provided for our consideration of your application for recognition of exemption indicates that you were incorporated on Year 1, as a nonprofit organization under the laws of the State 1. You were formed for purposes that include the following: to educate, inform and mobilize Ws to become active in the public arena in support of causes which reflect W values; and to uphold, propagate, and disseminate by all lawful means W principles and values.

You entered into an affiliation agreement with X, a national organization based in State 2. X's

five-fold mission is to--

•

Under the affiliation agreement, X has granted you a charter pursuant to which you shall represent X in State 1 and shall be known as the said state affiliate of X. The agreement further grants you a non-exclusive, revocable license to use X's name, logo, and any and all trademarks or service marks that X owns during the agreement. In addition, the affiliation agreement consists of the following provisions:

1. You shall incorporate as a nonprofit corporation and apply for recognition of exemption under section 501(c)(4) of the Code; copies of your corporate charter, bylaws and exemption application will be provided to X.

2. You shall adopt bylaws which will be substantially in the form of, or consistent with, the bylaws of X. Any amendments to your bylaws shall be sent to X for review and approval with your agreement not to adopt any amendments not approved by X.

3. You may organize and recognize local X chapters in State 1, provided you enter into an affiliation agreement with each local chapter and each such agreement is approved by X. Once a quarter, you shall provide X with the names and addresses of each local chapter, as well as the names, addresses, and phone numbers of the leader in each local chapter.

4. A portion of X's annual net revenues shall be segregated as a state project fund from which you may request funds for special projects from time to time. These funds may be distributed throughout the course of the year and must be requested in writing.

5. You may send mailings to certain X proprietary mailing lists for a reasonable computer and label/tape charge. X shall assist you in preparing mailings to these lists.

6. X shall provide you with a list of activities on X's database for you to use for fund-raising purposes.

7. X shall conduct for you regular workshops to teach fund-raising and organizing skills for state leadership.

8. X will schedule at least one leadership school per calendar year in your state, to be sponsored by you that includes audio tapes, instructional manual, and all related materials; you are responsible for recruiting at least 75 paid registrants, while the national office shall provide all materials, audio and video tapes, a national or regional instructor, and one mailing from the national office to promote and publicize the school.

9. X will work with you to hold at least one major fund-raising event per calendar year to be

attended by A (as schedule permits) and/or other nationally recognized individuals;

10. X will provide you with access with to its flagship publication, W . You will be able to place a four-page insert into all copies of W mailed to all X members in State 1.

11. X shall provide state and local leaders with a regular update of events in the nation's capital. This update will be provided free of charge to state and chapter leaders with fax machines.

12. X shall provide you with voter education material specific to your state. Congressional scorecards will be provided at cost, and federal voter guides will be provided free of charge.

Your activities include the development of county chapters, distribution of voter guides, organizing and conducting training seminars, publishing and distributing monthly newsletters and updates on legislation, and lobbying activities.

You have been involved in the formation and development of county chapters in State 1. In the Local Chapter Chairman's Handbook, a manual published and provided to you by X in providing step-by-step instruction on how to develop a successful chapter, states in Chapter 1 –

The goals of a chapter are to:

The X handbook refers to the neighborhoods as "precincts," and it states "...the ultimate goal of X is to have ten identified activists in every precinct in America. Neighborhoods (precincts) are crucial. In order to effectively organize your county, you must organize neighborhoods. Establishing a coordinator in each neighborhood will very effectively give you political control over your county and ultimately, your state." The X precinct organization plan consists of getting neighborhood helpers to follow three simple steps: identify, inform and mobilize voters.

You distribute voter guides for federal, state, and local elections. The voter guides are distributed to voters prior to Election Day for their use on that day. The voter guides for elections on the federal level were prepared by X. You prepare the voter guides for elections on state and local levels. The format of the voter guides includes the names and pictures of the Democratic and Republican candidates for various elective offices. Beneath each candidate's name and picture is the candidate's position on each of a list of selected issues. The Voter Guides indicate that most candidates were shown with a response of either "Opposes" or "Supports" to the selected issue, while many candidates were shown to have "No Response" or "Undecided" to most of the issues. The selected issues included:

The voter guides state in very small print that, "[t]his voter guide is provided for educational purposes only and is not to be construed as an endorsement of any candidate or political party." However, X's training materials called the X , under the heading states --

> The year marked the emergence of X onto the national political scene....
>
> As the election year went into full swing, X began distributing nonpartisan voter guides in churches nationwide. X's voter education efforts led to the largest turnout of voters in modern history with exit polls showing that 24 percent of all voters were self-identified . The results of such voter turnout were remarkable; an estimated candidates ran for school board, city council, state legislature, and percent won. X's commitment to the movement was now set in stone.
>
> X's activity in the election year proved that X was a major player in the political arena. X distributed voter guides during the presidential and other primaries as well as voter guides in churches during the general election.

You also conduct a seminar called W Seminar. The seminar uses training manuals produced and supplied by X. In his foreword to the training manual, A states the following:

You also publish State 1 Newsletter, a monthly newsletter consisting of two pages updating members primarily on chapter meetings and events, status of legislation, and the political scene. The and issues included information regarding the "Conference," an annual conference conducted by X that features speeches by prominent members of the Party.

You also engage in lobbying activities. You distribute materials urging members and others in supporting or defeating certain issue legislation. A training manual published by X, which you use in your training seminars, contains the following information on the topic of the basic lobbying that X and you, as one of its affiliates, implement:

LEGAL ANALYSIS:

Section 501(c)(4) of the Code provides for exemption from Federal income taxes under section 501(a) for organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-l(a)(2)(i) of the Income Tax Regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Whether an organization is "primarily" engaged in promoting social welfare is a facts and circumstances test. The regulation states:

> An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Section 1.501(c)(4)-l(a)(2)(i).

Section 1.501(c)(4)-l(a)(2)(ii) of the regulations provides that political campaign activities do not promote social welfare as defined in section 501(c)(4). The regulations under section 501(c)(4) clearly distinguish between acceptable social welfare activities such as lobbying and unacceptable activities such as political campaign intervention. The regulation states:

> The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office.

Section 1.501(c)(4)-l(a)(2)(ii).

In order for an organization to engage in political campaign activities, there generally must be a candidate for public office on whose behalf or against whom the activity or intervention occurs. Section 1.501(c)(3)-l(c)(3)(iii) of the regulations states that the "term 'candidate for public office' means an individual who offers himself, or is proposed by others, as a contestant for an elective public office." In Rev. Rul. 76-456, 1976-2 C.B. 151, the organization at issue was formed for the purpose of elevating the standards of ethics in the conduct of campaigns for election to public office at the national, state and local levels, and had disseminated information concerning general campaign practices. The organization proposed a code of fair campaign practices, but did not solicit the signing or endorsement of the code by candidates for political office. We concluded that this did not constitute political intervention since the organization's activities only allowed citizens to increase their knowledge and understanding of election processes and participate more effectively in their selection of government officials, without any candidates even mentioned. At the same time we modified Rev. Rul. 66-258, 1966-2 C.B. 213, which was an identical organization except that it did solicit the signing or endorsement of its code of fair campaign practices by candidates for political office. We concluded that the latter organization was engaged in political intervention and therefore was not exempt under section 501(c)(3) of the Code. (Because these Rev. Ruls. contain a section 501(c)(3) analysis which prohibits all political campaign activities, the activities should be considered in absolute terms. However, for purposes of section 501(c)(4), we are determining whether political intervention is the primary activity of the organization.)

Whether an organization is "primarily engaged" in promoting social welfare is a facts and circumstances determination. Relevant factors include the manner in which the organization's activities

are conducted; resources used in conducting such activities, such as buildings and equipment; the time devoted to activities (by volunteers as well as employees); the purposes furthered by various activities; and the amount of funds received from and devoted to particular activities. See, e.g., Rev. Rul. 74-361, 1974-2 C.B. 159 (volunteer fire company that provides recreational facilities for members is primarily engaged in promoting social welfare where providing facilities primarily furthers exempt purposes); Rev. Rul. 68-45, 1968-1 C.B. 259 (organization's principal source of income is not sole factor in determining whether it is "primarily engaged" in promoting social welfare). In Rev. Rul. 81-95, 1981-1 C.B. 332, we concluded that "an organization may carry on lawful political activities and remain exempt under section 501(c)(4) of the Code as long as it is primarily engaged in activities that promote social welfare." The corollary to this is that if an organization's primary activities do not promote social welfare but are direct or indirect political intervention, the organization is not exempt under section 501(c)(4). The key is to determine the character of the organization's primary activities by looking at all of the facts and circumstances.

1. Precinct Organization:

Your activities with regard to recruitment of people to become active in local politics at the precinct level appear to be identical to the recruitment and organization that takes place in a political party. The Leadership School trains people to work in campaigns, and political involvement and get-out-the-vote activities are advocated in order to intervene and influence elections. Your focus is on getting people to become candidates and activists. While organizing down to the precinct or neighborhood level has enabled you to mobilize some limited legislative grassroots campaigns, this organizational basis has primarily been used to mobilize targeted voters to get to the polls on election day. It has also been used to identify and encourage to run for local office. From your inception, you have been part of X's precinct organization intended to facilitate intervention in the political process at every level of government. As stated above, it is also evident that you were interested in legislation and lobbying activities. However, after a careful review of the materials presented, it is apparent that the lobbying activities were secondary to political intervention. You primarily engage in activities intended to intervene in the political process and to influence the elections of those candidates who reflected your views. Your emphasis is focused on activities which were designed to result in the election of to public office at every level of government. Using the facts and circumstances test, we conclude that your precinct organizational basis was implemented primarily to intervene in political campaigns.

2. Voter Guides:

An organization which publishes and distributes candidate questionnaire results in the form of voter guides must demonstrate neutrality in order for the voter guides to be considered educational. A facts and circumstances test is utilized to determine whether activities involving voter guides are educational or whether they are political campaign activities. In Rev. Rul. 78-248, 1978-1 C.B. 154, examples are given as to the factors which should be considered when applying a facts and circumstances test. The factors which are indications that the activities are educational are as follows: 1) the publication reports on a neutral group of elected officials or candidates such as all members of Congress or all candidates for a particular office, 2) the publication reports elected officials' or candidates' views or their voting records on a wide range of subjects, 3) the publication includes no editorial opinion on the elected officials or candidates, or on their views, 4) the publication does not indicate approval of elected officials or candidates in the contents or structure of the publication, and 5) the organization makes the publication generally available to the public.

After looking at your voter guides, several patterns emerge. First, as mentioned above, the

candidates regularly have "No Response" or "Undecided" listed after all or part of the issues, whereas very few candidates were listed without a complete list of "Opposes" or "Supports" underneath their name and picture. Second, the issues chosen seem to have a direct correlation to the desired response from X's preferred candidate, or conversely to portray a candidate as against issues. While these factors are not explicit endorsements of candidates, the lack of responses from candidates and the wording and choice of issues to create a particular response along party lines is significant. In addition, the general nature of and approach taken with respect to the issues covered leads to responses which are arguably inaccurate. Additionally, the summary descriptions are so vague that they do not adequately cover any of the issues. Finally, the voter guides do not report on a neutral group of candidates as required by Rev. Rul. 78-248. The voter guides list the names of a neutral group of candidates, but they fully report the positions of only some of the candidates and almost all of the positions of the candidates. This reporting is so heavily weighted toward the Party as to not constitute reporting on a neutral group of candidates.

In our view, the voter guides are heavily weighted in favor of the candidates, especially those incumbents endorsed on the congressional scorecards. We conclude that these voter guides cannot be considered nonpartisan educational materials within the intent of the law. Inaccurate and/or incomplete information does not constitute education. The targeted distribution of the scorecards and voter guides also indicates that these publications are not nonpartisan educational activities. These documents were distributed to previously identified and individuals. The voter guides would have only limited educational value to anyone wishing to know the positions of candidates or to compare the positions of and candidates, since such a large percentage of candidates did not have their positions listed in the voter guides. In addition, the possible distortion of the candidate's position when translating a vote on legislation to a summary description is an additional factor we have considered in determining that the voter guides constitute political intervention. Based on all the available information, we conclude that the voter guides are not nonpartisan and constitute intervention in political campaigns.

3. Lobbying Activities:

Lobbying activities were considered in Rev. Rul. 68-656, 1968-2 C.B. 216, to not only be an acceptable activity for an organization described in section 501(c)(4) of the Code, but to constitute activities that promote social welfare. Rev. Rul. 68-656 provides that seeking favorable legislation is recognized by the section 501(c)(4) regulations as a permissible means of attaining social welfare goals. Additionally, Rev. Rul. 71-530, 1971-2 C.B. 237, concludes that an organization described in section 501(c)(4) may have lobbying as its only activity. A facts and circumstances test is to be used in determining whether an organization's activities primarily constitute political intervention or whether those activities constitute lobbying or educational activities. After reviewing all of the facts and circumstances presented in the administrative file as discussed above, we have concluded that your primary emphasis and primary activities constituted direct and indirect political intervention. While you engage in extensive lobbying activities, they are by no means your primary activity. Your first and primary emphasis is on getting people elected to public office. The administrative record contains a wealth of information regarding your organizational structure and activities relating to candidate recruitment. There is only, secondarily, an emphasis on lobbying and educational activities. Your organizational thrust is to organize at the neighborhood or precinct level in order to get elected to local offices; only secondarily is this precinct level organization utilized to influence legislation.

Accordingly, after looking at all of the facts and circumstances, we have concluded that your lobbying activity was not your primary activity.

CONCLUSION REGARDING YOUR PRIMARY ACTIVITY:

The emphasis throughout your materials is on electing to office people in order to impact legislation and policy as insiders. The overwhelming majority of the evidence in the administrative record, and thus the facts and circumstances in this case, denotes an organization that is intent upon intervening in political campaigns. The precinct organizational structure allows you to implement your policies as more and more are elected to office. While lobbying is usually mentioned, and we recognize that lobbying activities are being pursued, those activities are not your primary activity. An analysis of all of the facts and circumstances contained in the administrative file leads us to the conclusion that your primary activity constitutes political intervention.

CONCLUSION:

Based upon the materials submitted in connection with your application, we have concluded that your activities primarily constitute direct and indirect participation or intervention in political campaigns on behalf of or in opposition to candidates for public office. Therefore, you are not primarily engaged in activities that promote social welfare and do not qualify for recognition of exemption under section 501(c)(4) of the Code.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views to this office, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 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 officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If we do not hear from you within 30 days, this ruling will become final and a copy will be forwarded to the Ohio Tax Exempt and Government Entities (TE/GE) office. Thereafter, any questions about your federal income tax status should be directed to that office, either by calling 877-829-5500 (a toll free number) or sending correspondence to: Internal Revenue Service, TE/GE Customer Service, P.O. Box 2508, Cincinnati, OH 45201.

When sending additional letters to us with respect to this case, you will expedite their receipt by using the following address:

Internal Revenue Service
Attn: T:EO:RA:T:3, Room 6137
1111 Constitution Ave, NW
Washington, D.C. 20224

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Robert C. Harper, Jr.

Manager, Exempt Organizations
Technical Group 3

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND GOVERNMENT ENTITIES DIVISION

U.I.L. 501.04-03 No Third Party Contacts

Release Number: **200836033**
Release Date: 9/5/08
Date: June 12, 2008

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:
1120
Tax Years:

Dear

This is our final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code section 501(a) as an organization described in Code section 501(c)(4).

We made this determination for the following reasons: You were not primarily engaged in activities that promote social welfare. Your activities primarily constituted direct and indirect participation in political campaigns on behalf of, or in opposition to, candidates for public office.

In a letter dated January 18, 2008, you indicated to have ceased conducting activities with no intention of reactivating because of our adverse ruling and have dissolved. We issued an initial adverse ruling on your exemption application on July 27, 2000.

You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. We amended the proposed adverse determination letter that was issued on July 27, 2000, by inserting a legend to delete identifying information for purposes of disclosure compliance under section 6110. Please read the enclosed Notice 437, *Notice of Intention to Disclose,* and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your

Federal income tax status and responsibilities, please contact IRS Customer Service at 1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Robert Choi
Director, Exempt Organizations
Rulings & Agreements

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224
July 27, 2000

U.I.L. No 501.04-03 Third Party Contacts
Contact Person:

ID Number:

Telephone Number:
Fax:

Employer Identification Number:

Legend:

X =
Date 1 =
Date 2 =
State 1 =
State 2 =
W =
A =
Handbook =

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(4). Based upon all of the materials you have submitted in connection with your application, we have concluded that your activities primarily constitute direct and indirect participation or intervention in political campaigns on behalf of or in opposition to candidates for public office. Accordingly, we have concluded that you are not primarily engaged in activities that promote social welfare and do not qualify for recognition of exemption under section 501(c)(4).

STATEMENT OF FACTS:

The information you have provided for our consideration of your application for recognition of exemption indicates that you were incorporated on Date 1, as a nonprofit organization under the provisions of the State 1 Revised Statutes annotated, Chapter . Your articles of incorporation provide that your purposes are as follows:

1. to educate, inform and mobilize W to become active in the political arena in support of causes which reflect W values, and to uphold, propagate, and disseminate by all lawful means W principles and values;

2. to urge the public to contact members of local, state, and federal legislative and regulatory bodies for the purpose of proposing, supporting, or opposing legislation to bring about betterment and the general welfare;

3. to aid the election of W candidates at the state and local level who promote Biblical values; and

4. to engage in any and all lawful activities incidental to the foregoing purposes.

On Date 2, you entered into an affiliation agreement with X, a national organization based in State 2. Pursuant to this agreement, you have become the state affiliate of X in the State of State 1. In part, the affiliation agreement consists of the following provisions:

1. You will clearly indicate on your stationery and other informational materials that you are the state affiliate of X, which will not grant state affiliation status to any other organization in State 1;

2. One-fourth of the state's counties and two-thirds of the Congressional Districts shall have functioning chapters and chairmen by a specified date; you will provide rosters of county and district officers on a quarterly basis to X;

3. You shall incorporate as a nonprofit corporation and apply for recognition of exemption under section 501(c)(4) of the Code; copies of your corporate charter, bylaws and exemption application will be provided to X;

4. You shall provide an audited financial statement to X on an annual basis;

5. Any advertisement or public relations effort using the X name will be sent to X national headquarters for approval prior to its use, including print advertisements, radio or television spots, newsletters, press releases, brochures, or voter guides.

6. You may send mailings to certain X proprietary mailing lists for a reasonable computer and label/tape charge;

7. X field staff will assist you in establishing X county chapters or appointing Congressional District coordinators;

8. X will schedule at least one leadership school per calendar year in your state, to be sponsored by you that includes audio tapes, instructional manual, and all related materials; you are responsible for recruiting at least 35 paid registrants, while the national office shall provide all materials, audio and video tapes, a national or regional instructor, and one mailing from the national office to promote and publicize the school;

9. X will work with you to hold at least one major fund-raising event per calendar year to be attended by A (as schedule permits) and/or other nationally recognized individuals;

10. A portion of X annual net revenues shall be segregated as a state project fund from which you may request funds for special projects; these funds shall be distributed on a quarterly basis and may be requested with an application form provided by X;

11. You will send a camera-ready insert of state news to X from time to time for publication in the W ;

12. X will provide production quality television and radio spots for broadcast on local television or radio by you;

13. You assume full liability for your own activities and programs; you indemnify X against liability; no principal and agent relationship is created; and, you and your chapters may not represent to third parties that you are acting on behalf of X unless specifically authorized in writing or as outlined in this agreement;

14. If you violate this agreement, X may immediately terminate it; and,

15. Both you and X may suspend the agreement upon providing 90 days notice in writing.

You solicit memberships, and one of the brochures you distribute for that purpose asks,"Isn't it about time we became informed & politically involved citizens in State 1?" The brochure describes you to the public as follows:

We are a non-partisan issue-oriented organization designed to mobilize

pro-family citizens for effective political action.

This grassroots coalition of Protestants, Catholics, and Jews, is working to make government and the media responsive to our reasonable concerns. Our goal is to speak with a united voice on public policy matters that preserve our freedoms and improve our nation and our communities. We work together because we understand resisting the tide of immorality and intolerant secularism is more important that (sic) our theological, racial, or cultural differences.

Our five-fold mission, in conjunction with our state and national organizations, is to:

1. Inform pro-family voters about timely issues and pending legislation;

2. Train leaders for effective social and political action;

3. Speak out in the public arena and in the media;

4. Represent pro-family voters before local councils, school boards, and the state legislature;

5. Protest anti-religious biases and defend the legal rights of W.

We distribute *Congressional Scorecards* to educate Americans on their representatives' votes, and *Voter Guides* to provide voters with candidates' positions on issues. We are also expanding our membership, developing leadership, and organizing by neighborhoods.

We serve pro-family citizens by providing a local grassroots organization to channel *your political* efforts. We will cooperate and work with local churches by helping them establish Political Awareness Committees formed with the approval of, and under the supervision of, their church's leadership. It is through networking with concerned citizens and people of faith that information is distributed enabling our collective voice to be heard. Your participation increases our influence to effect political change. You may choose your level of involvement from being kept informed to helping organize the state.

We are not exclusive, extremist, radical or intolerant. We are mainstream Americans who have a right to representation and a responsibility in self-government.

Your activities include the development of county chapters, organizing and

conducting training seminars, distribution of legislative scorecards, publishing and distributing monthly newsletters and updates on legislation, conducting conferences, and lobbying activities.

You have been involved in the formation and development of county chapters and neighborhood communities in the state of State 1. This formation of neighborhood communities is along the X's plan of establishing precinct organizations. The X precinct organization plan consists of getting neighborhood helpers to follow three simple steps: identify, inform, and mobilize voters.

You conduct surveys for identification and mobilization of voters. Your voter identification method follows Abraham Lincoln's four rules for winning elections:

1. Obtain a complete list of voters,
2. Determine how they will vote,
3. Contact the favorable voters, and
4. Get them to the polls on election day

Your voter identification points out that Lincoln's four rules are the foundation of modern grassroots politics. The most effective element in influencing the public policy of a city, county or state is electing quality candidates to office.

You distribute voter guides timed to coincide with the elections. The voter guides are directed at different geographic areas of State 1, and cover specific elections. The format of the voter guides includes the names and pictures of the Democratic and Republican candidates for various elective offices. Beneath each candidate's name and picture is the candidate's position on each of a list of selected issues. Your Voter Guide for the state Governor and Congressional District elections show Republican candidates with a response of either "Opposes" or "Supports" to the selected issue, and the Democratic candidates were shown to have "No Response" to most of the issues. The selected issues on the election for Governor included:

Establishment of a State Income Tax
Abortion on Demand
Parental Notification for Abortion by Minors
Parental Choice in Education (Vouchers)
Banning Ownership of Legal Firearms
Condom Distribution in Public Schools
Outcome-Based Education
Special Rights for Homosexuals
Term Limits
Compulsory Union Dues for Employment

The voter guides state in very small print the following:

> Paid for and authorized by X, of State 2. X is a pro-family action organization. This voter guide is provided for educational purposes only and is not to be construed as an endorsement of any candidate or political party.

However, X produced training materials called the X Handbook, under the heading "Political Victory," states --

> The year . marked the emergence of X onto the national political scene....
>
> As the election year went into full swing, X began distributing 40 million nonpartisan voter guides in nationwide. X's voter education efforts led to the largest turnout of voters in modern history with exit polls showing that 24 percent of all voters were self-identified . The results of such pro-family voter turnout were remarkable; an estimated 500 pro-family candidates ran for school board, city council, state legislature, and 40 percent won. X's commitment to the , movement was now set in stone.
>
> X's activity in the 1996 election year proved that X was a major player in the political arena. X distributed 20 million voter guides during the presidential and other primaries as well as 45 million voter guides in during the general election.

You also distribute congressional scorecards. The scorecards are prepared by X for distribution to voters during elections through its state affiliates. The scorecard is a compilation of voting records of all incumbent members of Congress with respect to issues on which X has taken a position. The scorecard shows how each Senator and Representative voted on each of the selected issues with a rating of either "++" or "-" and a percentage score. The scorecard states that "++" indicates that the legislator voted or announced in favor of X position, and "-" indicates that the legislator voted or announced against X position. A score of 100% means that the legislator supported X position on every vote. A score of 0% means the legislator never supported a X position.

The X Congressional Scorecard Election Year Edition you distributed shows the names of Republican legislators in capital letters as compared to names of all Democratic legislators in lower case letters. In addition, while many and only Republican legislators garnered a score of 100%, many and only Democratic legislators garnered a score of 0%.

The issues chosen for the State 1 legislators in the X Congressional Scorecard Election Year Edition included the following: Family Tax Relief, Balanced Budget Amendment, Partial Birth Abortion, Promoting Homosexuality, Pornography on the Internet, Line-Item Veto, and Welfare Reform.

You conducted a seminar called X Seminar. Your flyer advertised the seminar with the headlines, "[illegible]." The seminar is described in the material as given by America's sharpest political strategists and is a crash course on:

- Why people of faith should be involved in politics;
- How to organize your neighborhood and ward;
- Influencing public policy at all levels of government;
- The biblical basis for political involvement; and,
- How to effectively lobby elected officials.

The seminar uses training manuals produced and supplied by X. In his foreword to the training manual, A states the following:

> Our Seminar is designed to give you a hands-on-working knowledge of the essential nuts and bolts of grassroots political activism. You will learn valuable insights into: becoming a X liaison to your church; setting up a neighborhood organization; identifying pro-family voters; and learning how, "[a]ll politics is local."

You publish State 1 W, a news supplement inserted in the magazine called W [illegible]. The bi-monthly magazine is published by X and distributed through its affiliates.

You also engage in lobbying activities. You distribute materials urging members and others in supporting or defeating certain conservative-issue legislation. The manual published by X, which you use in your training seminars, contains the following information on the topic of the basic lobbying that X and you, as one of its affiliates, implement:

> The game of politics and lobbying operates no differently. In November 1994, we saw X teams all across the country work together to ensure those pro-family conservative values were represented in Congress. During that same election cycle, not one pro-life incumbent lost a seat in Congress, and a new tide of pro-family legislators rolled onto the shores of Capitol Hill because X team members played their parts.

LEGAL ANALYSIS:

Section 501(c)(4) of the Code provides for exemption from Federal income taxes under section 501(a) for organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-l(a)(2)(i) of the Income Tax Regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Whether an organization is "primarily" engaged in promoting social welfare is a facts and circumstances test. The regulation states:

> An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Section 1.501(c)(4)-l(a)(2)(i).

Section 1.501(c)(4)-l(a)(2)(ii) of the regulations provides that political campaign activities do not promote social welfare as defined in section 501(c)(4). The regulations under section 501(c)(4) clearly distinguish between acceptable social welfare activities such as lobbying and unacceptable activities such as political campaign intervention. The regulation states:

> The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office.

Section 1.501(c)(4)-l(a)(2)(ii).

In order for an organization to engage in political campaign activities, there generally must be a candidate for public office on whose behalf or against whom the activity or intervention occurs. Section 1.501(c)(3)-l(c)(3)(iii) of the regulations states that the "term 'candidate for public office' means an individual who offers himself, or is proposed by others, as a contestant for an elective public office." In Rev. Rul. 76-456, 1976-2 C.B. 151, the organization at issue was formed for the purpose of elevating the standards of ethics in the conduct of campaigns for election to public office at the national, state and local levels, and had disseminated information concerning general campaign practices. The organization proposed a code of fair campaign practices, but did not solicit the signing or endorsement of the code by candidates for political office. We concluded that this did not constitute political intervention since the organization's activities only allowed citizens to increase their knowledge and understanding of election processes and participate more effectively in their selection of government

officials, without any candidates even mentioned. At the same time we modified Rev. Rul. 66-258, 1966-2 C.B. 213, which was an identical organization except that it did solicit the signing or endorsement of its code of fair campaign practices by candidates for political office. We concluded that the latter organization was engaged in political intervention and therefore was not exempt under section 501(c)(3) of the Code. (Because these Rev. Ruls. contain a section 501(c)(3) analysis which prohibits all political campaign activities, the activities should be considered in absolute terms. However, for purposes of section 501(c)(4), we are determining whether political intervention is the primary activity of the organization.)

Whether an organization is "primarily engaged" in promoting social welfare is a facts and circumstances determination. Relevant factors include the manner in which the organization's activities are conducted; resources used in conducting such activities, such as buildings and equipment; the time devoted to activities (by volunteers as well as employees); the purposes furthered by various activities; and the amount of funds received from and devoted to particular activities. See, e.g., Rev. Rul. 74-361, 1974-2 C.B. 159 (volunteer fire company that provides recreational facilities for members is primarily engaged in promoting social welfare where providing facilities primarily furthers exempt purposes); Rev. Rul. 68-45, 1968-1 C.B. 259 (organization's principal source of income is not sole factor in determining whether it is "primarily engaged" in promoting social welfare). In Rev. Rul. 81-95, 1981-1 C.B. 332, we concluded that "an organization may carry on lawful political activities and remain exempt under section 501(c)(4) of the Code as long as it is primarily engaged in activities that promote social welfare." The corollary to this is that if an organization's primary activities do not promote social welfare but are direct or indirect political intervention, the organization is not exempt under section 501(c)(4). The key is to determine the character of the organization's primary activities by looking at all of the facts and circumstances.

1. Precinct Organization:

Your activities with regard to recruitment of people to become active in local politics at the precinct level appear to be identical to the recruitment and organization that takes place in a political party. Your training seminars train people to work in campaigns and political involvement and get-out-the-vote activities are advocated in order to intervene and influence elections. Your focus is on getting people to become candidates and activists. While organizing down to the precinct or neighborhood level has enabled you to mobilize some limited legislative grassroots campaigns, this organizational basis has primarily been used to mobilize targeted conservative voters to get to the polls on election day. It has also been used to identify and encourage religious conservatives to run for local office. From your inception, you have been part of X's precinct organization intended to facilitate intervention in the political process at every level of government. As stated above, it is also evident that you were interested in legislation and lobbying activities. However, after a careful review of the materials

presented, it is apparent that the lobbying activities were secondary to political intervention. You primarily engage in activities intended to intervene in the political process and to influence the elections of those Republican conservative candidates who reflected your views. Your emphasis is focused on activities that were designed to result in the election of religious conservatives to public office at every level of government. Using the facts and circumstances test, we conclude that your precinct organizational basis was implemented primarily to intervene in political campaigns.

2. Congressional Scorecards:

In defining political campaign activity, Rev. Rul. 67-368, 1967-2 C.B. 194, states that rating candidates as average, good, or excellent using qualifications such as education and experience, even on a nonpartisan basis, is an intervention on behalf of those candidates favorably rated and in opposition to those less favorably rated for purposes of section 501(c)(4) of the Code. See The Association of the Bar of the City of New York v. Commissioner, 858 F.2d 876 (2d Cir. 1988), cert. denied 490 U.S. 1030 (1989). However, in Rev. Rul. 80-282, 1980-2 C.B. 178, we concluded that publishing the voting records of all incumbent members of Congress on selected legislative issues soon after the close of each congressional session, along with an expression of the organization's position on the issues, were not political campaign activities. We set forth several factors which were considered when ruling that the publication and distribution of the voting records were not political intervention. Those factors included: 1) voting records of all incumbents were presented, 2) candidates for reelection were not identified, 3) no comment was made on an individual's overall qualifications for public office, 4) no statements expressly or impliedly endorsed or rejected any incumbent as a candidate for public office, 5) no comparison of incumbents with other candidates, 6) the organization pointed out the inherent limitations of judging the qualifications of an incumbent on the basis of the selected votes by stating the need to consider other unrecorded matters, and 7) no attempt was made to time the date of publication to coincide with an election. Another factor considered relevant was that the organization did not distribute the voting records widely. Again, a facts and circumstances test was utilized to determine whether the publication was political intervention.

Distinguishing factors between your scorecards and the documents at issue in Rev. Rul. 80-282 include the following: 1) your scorecards were distributed to a large number of religious conservatives, while the documents at issue in Rev. Rul. 80-282 were only distributed to a few people, 2) the names of Republicans were shown in all capital letters with the highest percentage scores in the scorecard, which gives prominence and arguably an endorsement to those legislators, while there was no such distinction in the documents at issue in the revenue ruling, 3) the legislator's "score" was indicated based upon agreement/disagreement with your issues, 4) the scorecards were published and distributed to coincide with the national and state elections. We

also believe that the limited distribution in Rev. Rul. 80-282 was an important factor in the conclusion that an intervention did not occur. Your scorecards were very widely distributed among religious conservatives. Your targeted yet wide distribution of the congressional scorecards differs substantially with the factual situation in Rev. Rul. 80-282. Rev. Rul. 80-282 sets forth a facts and circumstances test. Therefore, after carefully considering all the facts and circumstances we conclude that the scorecards constitute political intervention.

3. Voter Guides:

An organization that publishes and distributes candidate questionnaire results in the form of voter guides must demonstrate neutrality in order for the voter guides to be considered educational. A facts and circumstances test is utilized to determine whether activities involving voter guides are educational or whether they are political campaign activities. In Rev. Rul. 78-248, 1978-1 C.B. 154, examples are given as to the factors that should be considered when applying a facts and circumstances test. The factors which are indications that the activities are educational are as follows: 1) the publication reports on a neutral group of elected officials or candidates such as all members of Congress or all candidates for a particular office, 2) the publication reports elected officials' or candidates' views or their voting records on a wide range of subjects, 3) the publication includes no editorial opinion on the elected officials or candidates, or on their views, 4) the publication does not indicate approval of elected officials or candidates in the contents or structure of the publication, and 5) the organization makes the publication generally available to the public.

After looking at your voter guides, several patterns emerge. First, as mentioned above, the Democratic candidates regularly have "No Response" listed after all or part of the issues, whereas very few Republican candidates were listed without a complete list of "Opposes" or "Supports" underneath their name and picture. Second, the issues chosen for each District seem to have a direct correlation to the desired response from your preferred Republican candidate, or conversely to portray a Democratic candidate as against your issues. While these factors are not explicit endorsements of candidates, the lack of responses from Democratic candidates and the wording and choice of issues to create a particular response along party lines is significant. In addition, the general nature of and approach taken with respect to the issues covered leads to responses that are arguably inaccurate. Additionally, the summary descriptions are so vague that they do not adequately cover any of the issues. Finally, the voter guides do not report on a neutral group of candidates as required by Rev. Rul. 78-248. The voter guides list the names of a neutral group of candidates, but they fully report the positions of only some of the Democratic candidates and almost all of the positions of the Republican candidates. This reporting is so heavily weighted toward the Republican Party as to not constitute reporting on a neutral group of candidates.

In our view, the voter guides are heavily weighted in favor of the Republican candidates, especially those Republican incumbents endorsed on the congressional scorecards. We conclude that these voter guides cannot be considered nonpartisan educational materials within the intent of the law. Inaccurate and/or incomplete information does not constitute education. The targeted distribution of the scorecards and voter guides also indicates that these publications are not nonpartisan educational activities. These documents were distributed to previously identified conservative churches and conservative individuals. The voter guides would have only limited educational value to anyone wishing to know the positions of Democratic candidates or to compare the positions of Democratic and Republican candidates, since such a large percentage of Democratic candidates did not have their positions listed in the voter guides. Also, the possible distortion of the candidate's position when translating a vote on legislation to a summary description is an additional factor we have considered in determining that the voter guides constitute political intervention. Based on all the available information, we conclude that the voter guides are not nonpartisan and constitute intervention in political campaigns.

4. Lobbying Activities:

Lobbying activities were considered in Rev. Rul. 68-656, 1968-2 C.B. 216, to not only be an acceptable activity for an organization described in section 501(c)(4) of the Code, but to constitute activities that promote social welfare. Rev. Rul. 68-656 provides that seeking favorable legislation is recognized by the section 501(c)(4) regulations as a permissible means of attaining social welfare goals. Additionally, Rev. Rul. 71-530, 1971-2 C.B. 237, concludes that an organization described in section 501(c)(4) may have lobbying as its only activity. A facts and circumstances test is to be used in determining whether an organization's activities primarily constitute political intervention or whether those activities constitute lobbying or educational activities. After reviewing all of the facts and circumstances presented in the administrative file as discussed above, we have concluded that your primary emphasis and primary activities constituted direct and indirect political intervention. While you engage in extensive lobbying activities, they are by no means your primary activity. Your first and primary emphasis is on getting people elected to public office. The administrative record contains a wealth of information regarding your organizational structure and activities relating to candidate recruitment. There is only, secondarily, an emphasis on lobbying and educational activities. Your organizational thrust is to organize at the neighborhood or precinct level in order to get religious conservatives elected to local offices; only secondarily is this precinct level organization utilized to influence legislation.

Accordingly, after looking at all of the facts and circumstances, we have concluded that your lobbying activity was not your primary activity.

CONCLUSION REGARDING YOUR PRIMARY ACTIVITY:

The emphasis throughout your materials is on electing to office "family friendly" people in order to impact legislation and policy as insiders. The overwhelming majority of the evidence in the administrative record, and thus the facts and circumstances in this case, denotes an organization that is intent upon intervening in political campaigns. The precinct organizational structure allows you to implement your policies as more and more religious conservatives are elected to office. While lobbying is usually mentioned, and we recognize that lobbying activities are being pursued, those activities are not your primary activity. An analysis of all of the facts and circumstances contained in the administrative file leads us to the conclusion that your primary activity constitutes political intervention.

CONCLUSION:

Based upon the materials submitted in connection with your application, we have concluded that your activities primarily constitute direct and indirect participation or intervention in political campaigns on behalf of or in opposition to candidates for public office. Therefore, you are not primarily engaged in activities that promote social welfare and do not qualify for recognition of exemption under section 501(c)(4) of the Code.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views to this office, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 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 officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If we do not hear from you within 30 days, this ruling will become final and a copy will be forwarded to the , Tax Exempt and Government Entities (TE/GE) office. Thereafter, any questions about your federal income tax status should be directed to that office, either by calling , (a toll free number) or sending correspondence to: Internal Revenue Service, TE/GE Customer Service.

When sending additional letters to us with respect to this case, you will expedite their receipt by using the following address:

Internal Revenue Service
Attn: T:EO:RA:T:3, Room 6137
1111 Constitution Ave, NW
Washington, D.C. 20224

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Robert C. Harper, Jr.
Manager, Exempt Organizations
Technical Group 3

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Number: **200843033**
Release Date: 10/24/2008

Date: July 31, 2008

U.I.L. 501.04-03

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:
1120
Tax Years:
ALL

S:T:EO:RA:T:2

Dear :

This is our final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code section 501(a) as an organization described in Code section 501(c)(4).

We made this determination for the following reasons: You were not primarily engaged in activities that promote social welfare. Your activities primarily constituted direct and indirect participation in political campaigns on behalf of, or in opposition to, candidates for public office.

On , 2008, xxxxxxxxxxxxxxxxxx, your authorized representative, informed us that you decided not to pursue exemption under section 501(c)(4) and that we close the case.

You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. We amended the proposed adverse determination letter that was issued on July 27, 2000, by inserting a legend to delete identifying information for purposes of disclosure compliance under section 6110. Please read the enclosed Notice 437, *Notice of Intention to Disclose,* and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at 1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Robert Choi
Director, Exempt Organizations
Rulings & Agreements

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

U.I.L. 501.04-03 No Third Party Contacts

July 25, 2000

Contact Person:

ID Number:

Telephone Number:
Fax:

Employer Identification Number:

Legend:

W =
X =
Y =

A =
B =

Date 1 =
Date 2 =
Date 3 =
Date 4 =
Date 5 =

Year 1 =

State 1 =
State 2 =
State 3 =

Seminar =
Newsletter 1=
Newsletter 2 =

Dear :

We have considered your application for recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(4). Based upon all of the materials you have submitted in connection with your application, we have concluded that your activities primarily constitute direct and indirect participation or intervention in political campaigns on behalf of or in opposition to candidates for public office. Accordingly, we have concluded that you are not primarily engaged in activities that promote social welfare and do not qualify for recognition of exemption under section 501(c)(4).

STATEMENT OF FACTS:

The information submitted indicates that you were incorporated on Date 1. Your Articles of Incorporation state that your principal purpose is to encourage active citizenship among people professing the W faith. Your other purposes are as follows: to support and uphold values and moral principles that accord with the Holy Bible; to defend religious freedom; to enunciate an interpretation of the United States Constitution which is in accordance with the original intention of the framers of the United States Constitution; and, to promulgate and teach concern for the sanctity of life, traditional family values, an economic system which fosters individual self-reliance, opposition to tyranny, and faith in God.

On Date 2, you entered into an affiliation agreement with X, a national organization based in State 1. X was created in Year 1 and its five-fold mission is to:

- Represent the pro-family point of view before local councils, state legislatures, and Congress.
- Speak out in the public arena and in the media.
- Train leaders for effective social and political action.
- Inform pro-family voters about timely issues and legislation.
- Protest anti-W bigotry and defend the rights of people of faith.

Pursuant to the affiliation agreement, you have become the state affiliate of X in the State 2. In part, the affiliation agreement consists of the following provisions:

1. You shall clearly indicate on your stationery and other informational materials that you are the state affiliate of X, which will not grant state affiliation status to any other organization in State 2;

2. One-fourth of the state's counties and two-thirds of the congressional districts shall have functioning chapters and chairmen by a specified date; you will provide rosters of county and district officers on a quarterly basis to X;

3. You shall incorporate as a nonprofit corporation and apply for recognition of exemption under section 501(c)(4) of the Code; copies of your corporate charter, bylaws and exemption application will be provided to X;

4. You shall provide an audited financial statement to X on an annual basis;

5. Any advertisement or public relations effort using X's name will be sent to X national headquarters for approval prior to its use, including print advertisements, radio or television spots, newsletters, press releases, brochures, or voter guides.

6. You may send mailings to certain X proprietary mailing lists for a reasonable computer and label/tape charge.

7. X field staff shall assist you in establishing X county chapters or appointing Congressional District coordinators.

8. X shall schedule at least one leadership school per calendar year in your state, to be sponsored by you that includes audio tapes, instructional manual, and all related materials; you are responsible for recruiting at least 35 paid registrants, while the national office shall provide all materials, audio and video tapes, a national or regional instructor, and one mailing from the national office to promote and publicize the school;

9. X shall work with you to hold at least one major fund-raising event per calendar year to be attended by A (as schedule permits) and/or other nationally recognized individuals;

10. A portion of X annual net revenues shall be segregated as a state project fund from which you may request funds for special projects; these funds shall be distributed on a quarterly basis and may be requested with an application form provided by X;

11. You will send a camera-ready insert of state news to X from time to time for

publication in the ;

12. X shall provide production quality television and radio spots for broadcast on local television or radio by you; and

13. You shall assume full liability for your own activities and programs; you shall indemnify X against liability; no principal and agent relationship is created; and, you and your chapters may not represent to third parties that you are acting on behalf of X unless specifically authorized in writing or as outlined in this agreement.

Your activities include developing county chapters, organizing and conducting training seminars, distributing legislative scorecards, publishing and distributing monthly newsletters and updates on legislation, conducting conferences, and lobbying activities.

You have been involved in the formation and development of county chapters in the State 2 toward achieving the goal of X as a "precinct" organization. The manual called "The Plan," which is distributed by X in assisting the establishment of chapters, states, "How well you implement this plan will determine how quickly we establish X as a major force in American politics." The manual indicates X's short term goal is to establish a working X chapter. The long term goals are as follow:

A. Have 10 trained activists in every precinct.
B. Have a church coordinator in each conservative church.
C. Canvass each registered voter to determine their concerns and values.
D. Develop an information network to educate on issues and candidates.
E. Train W to be effective leaders in the social and political area.

X's precinct organization plan urges members to follow three simple steps: to identify, inform and mobilize voters. You conduct surveys for identification and mobilization of voters. Your voter identification brochure, which is prepared by, and which you receive from X, follows Abraham Lincoln's four rules for winning elections:

1. Obtain a complete list of voters
2. Determine how they will vote
3. Contact the favorable voters
4. Get them to the polls on election day

You distribute voter guides that are directed at different geographic areas within State 2, and cover the Presidential, Congressional and state races. The format of the voter guides includes the names and pictures of the Democratic and Republican

candidates for various elective offices. The distribution of the voter guides is timed to coincide with specific elections. Beneath each candidate's name and picture is the candidate's position on a list of selected issues. All Republican candidates were shown with a response of either "Opposes" or "Supports" to the selected issues. On the other hand, some Democratic candidates were shown to have "DNR," which stands for "Did Not Respond," or "Undecided" to many of the issues. The selected issues on the "96 X Voter Guide Presidential Election" included:

> Balanced Budget Amendment
> 15% Federal Income Tax Cut
> Banning Partial Birth Abortion
> Taxpayer Funding of Abortion
> Voluntary Prayer in Public Schools
> Public and Private School Choice
> Goal 2000/Outcome-Based Education
> Homosexuals in the Military
> Term Limits for Congress
> FDA Regulation of Tobacco

You distribute the voter guides to members and constituents. The voter guides state in small print that "[t]he information provided herein is for the purpose of voter education and is not intended as an endorsement of any candidate." However, your training material, Seminar, at page 6, states the following:

> In Date 3, X distributed 500,000 voter guides in cooperation with minority groups and the Catholic Archdiocese in the State 3 City School Board races. As a result, an estimated 63 percent of pro-family candidates won and conservatives gained ground in even the most liberal districts. Due to the concerted efforts of X state and local chapters, conservatives are enjoying victories of this nature all across America.

Moreover, your publication Newsletter 1, Date 4 issue, clarified the primary objectives and importance of your voter guides in the following statement:

> As the primary voter education project of X, the Voter Guides have made a significant impact on State 2 politics. In the past four years alone, Y has distributed over 4 million Voter Guides -- and we have seen the difference the Voter Guides can make in electing conservative representatives across the state.

You also distribute legislative scorecards, a compilation of voting records of all

incumbent members of the State 2 legislature with respect to issues on which you and X have taken a position. The scorecard shows how each member of the State 2 Senate and the State 2 House of Representatives voted or announced on each of the selected issues with a rating of either "+" or "-" and a percentage score. The scorecard states that "+" indicates that the legislator voted or announced in favor of the X position, and "-" indicates that the legislator voted or announced against the X position. A legislator who is rated "+" on all issues is scored 100 percent to indicate that the legislator supported the X position on key issues on every vote cast during his or her current term in office.

Your 1997 State 2 Voter's Legislative Scorecard shows many 100 percent scores given to Republican legislators, and no 100 percent scores given to Democratic legislators. In the State 2 Senate scorecard, Republican senators' scores ranged from a high of 100% to a low of 78%, while Democratic senators' scores ranged from a high of 89% to a low of 33%. In the State 2 House of Representatives, Republican representatives' scores ranged from a high of 100% to a low of 55%, while Democratic representatives' scores ranged from a high of 82% to a low of18%.

The issues chosen for the State 2 House of Representatives were substantially similar to those of the State 2 Senate and included the following:

Partial-Birth Abortion Ban
Defense of Marriage Act
American Heritage History Amendment
Woman's Right To Know Act
Full Service School Based Clinics/Contraceptives in School
Faith-Based Programs in Prison
Scholarships for Adopted Foster Children
Vehicular Homicide for Death of Unborn Child
Funding to Communist Vietnam

You conduct leadership training or seminars called Seminars. The seminar uses training manuals produced and supplied by X. In his foreword in the training manual, A states --

> Our Seminar is designed to give you a hands-on-working knowledge of the essential nuts and bolts of grassroots political activism. You will learn valuable insights into: becoming a X liaison to your church; setting up a neighborhood organization; identifying pro-family voters; and learning how "All politics is local."

You also engage in lobbying activities. You distribute materials urging members

and others in supporting or defeating certain legislation. The "Seminar Manual," a manual published by X which you use in your training seminars, contains the following information on the topic of the basic lobbying that X and you, as one of its affiliates, implement:

> The game of politics and lobbying operates no differently. In November 1994, we saw X teams all across the country work together to ensure those pro-family conservative values were represented in Congress. During that same election cycle, not one pro-life incumbent lost a seat in Congress, and a new tide of pro-family legislators rolled onto the shores of Capitol Hill because X team members played their parts.

You publish Newsletter 1, a four-page news supplement inserted in , a bi-monthly magazine published by X and distributed through its affiliates. You also publish Newsletter 2, a monthly newsletter updating members on various legislative bills and the political scene.

In Newsletter 1, Date 5 issue, your executive director wrote an article titled "Religion and Politics Do mix...indeed they MUST mix!" and stated the following:

> The old-age advice that religion and politics don't mix is the very reason American is in the "mess" it's in today! From the day the Supreme Court thumbed its nose at Almighty God by throwing out Bible reading and prayer in school, America has reaped a harvest of crime, teen suicide, illegitimacy, divorce, and a scourge of other symptoms of societal breakdown.
>
> Yet, in spite of continual increase of these social indicators, the liberals still contend that that the worst thing to happen to State 2 is for B, a man of faith, to become Speaker of the State 2 House of Representatives. Unfortunately, history reminds us the greatest reformist movements including the abolitionist movement to end slavery, the suffrage movement to give women the right to vote, and the civil rights movement to give people of color equal opportunity can all be traced back to the churches and synagogues of America. Religion and people of faith are not what's wrong with America, they are what's right with America.
>
> Therefore, we must continue our work to elect men and women of character and faith to our government, and add two very important endeavors: prayer and fasting for the spiritual reawakening in America, and active compassion for the less fortunate.

LEGAL ANALYSIS:

Section 501(c)(4) of the Code provides for exemption from Federal income taxes under section 501(a) for organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-l(a)(2)(i) of the Income Tax Regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Whether an organization is "primarily" engaged in promoting social welfare is a facts and circumstances test. The regulation states:

> An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Section 1.501(c)(4)-l(a)(2)(i).

Section 1.501(c)(4)-l(a)(2)(ii) of the regulations provides that political campaign activities do not promote social welfare as defined in section 501(c)(4). The regulations under section 501(c)(4) clearly distinguish between acceptable social welfare activities such as lobbying and unacceptable activities such as political campaign intervention. The regulation states:

> The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office.

Section 1.501(c)(4)-l(a)(2)(ii).

In order for an organization to engage in political campaign activities, there generally must be a candidate for public office on whose behalf or against whom the activity or intervention occurs. Section 1.501(c)(3)-l(c)(3)(iii) of the regulations states that the "term 'candidate for public office' means an individual who offers himself, or is proposed by others, as a contestant for an elective public office." In Rev. Rul. 76-456, 1976-2 C.B. 151, the organization at issue was formed for the purpose of elevating the standards of ethics in the conduct of campaigns for election to public office at the national, state and local levels, and had disseminated information concerning general campaign practices. The organization proposed a code of fair campaign practices, but did not solicit the signing or endorsement of the code by candidates for political office.

We concluded that this did not constitute political intervention since the organization's activities only allowed citizens to increase their knowledge and understanding of election processes and participate more effectively in their selection of government officials, without any candidates even mentioned. At the same time we modified Rev. Rul. 66-258, 1966-2 C.B. 213, which was an identical organization except that it did solicit the signing or endorsement of its code of fair campaign practices by candidates for political office. We concluded that the latter organization was engaged in political intervention and therefore was not exempt under section 501(c)(3) of the Code. (Because these Rev. Ruls. contain a section 501(c)(3) analysis which prohibits all political campaign activities, the activities should be considered in absolute terms. However, for purposes of section 501(c)(4), we are determining whether political intervention is the primary activity of the organization.)

Whether an organization is "primarily engaged" in promoting social welfare is a facts and circumstances determination. Relevant factors include the manner in which the organization's activities are conducted; resources used in conducting such activities, such as buildings and equipment; the time devoted to activities (by volunteers as well as employees); the purposes furthered by various activities; and the amount of funds received from and devoted to particular activities. See, e.g., Rev. Rul. 74-361, 1974-2 C.B. 159 (volunteer fire company that provides recreational facilities for members is primarily engaged in promoting social welfare where providing facilities primarily furthers exempt purposes); Rev. Rul. 68-45, 1968-1 C.B. 259 (organization's principal source of income is not sole factor in determining whether it is "primarily engaged" in promoting social welfare). In Rev. Rul. 81-95, 1981-1 C.B. 332, we concluded that "an organization may carry on lawful political activities and remain exempt under section 501(c)(4) of the Code as long as it is primarily engaged in activities that promote social welfare." The corollary to this is that if an organization's primary activities do not promote social welfare but are direct or indirect political intervention, the organization is not exempt under section 501(c)(4). The key is to determine the character of the organization's primary activities by looking at all of the facts and circumstances.

1. Precinct Organization:

Your activities with regard to recruitment of people to become active in local politics at the precinct level appear to be identical to the recruitment and organization that takes place in a political party. Your leadership seminars train people to work in campaigns, and political involvement and get-out-the-vote activities are advocated in order to intervene and influence elections. Your focus is on getting people to become candidates and activists. While organizing down to the precinct or neighborhood level has enabled you to mobilize some limited legislative grassroots campaigns, this organizational basis has primarily been used to mobilize targeted conservative voters to

get to the polls on election day. It has also been used to identify and encourage religious conservatives to run for local office. From your inception, you have been part of X's precinct organization intended to facilitate intervention in the political process at every level of government. As stated above, it is also evident that you were interested in legislation and lobbying activities. However, after a careful review of the materials presented, it is apparent that the lobbying activities were secondary to political intervention. You primarily engage in activities intended to intervene in the political process and to influence the elections of those Republican conservative candidates who reflected your views. Your emphasis is focused on activities which were designed to result in the election of religious conservatives to public office at every level of government. Using the facts and circumstances test, we conclude that your precinct organizational basis was implemented primarily to intervene in political campaigns.

2. Legislative Scorecards:

In defining political campaign activity, Rev. Rul. 67-368, 1967-2 C.B. 194, states that rating candidates as average, good, or excellent using qualifications such as education and experience, even on a nonpartisan basis, is an intervention on behalf of those candidates favorably rated and in opposition to those less favorably rated for purposes of section 501(c)(4) of the Code. See The Association of the Bar of the City of New York v. Commissioner, 858 F.2d 876 (2d Cir. 1988), cert. denied 490 U.S. 1030 (1989). However, in Rev. Rul. 80-282, 1980-2 C.B. 178, we concluded that publishing the voting records of all incumbent members of Congress on selected legislative issues soon after the close of each congressional session, along with an expression of the organization's position on the issues, were not political campaign activities. We set forth several factors which were considered when ruling that the publication and distribution of the voting records were not political intervention. Those factors included: 1) voting records of all incumbents were presented, 2) candidates for reelection were not identified, 3) no comment was made on an individual's overall qualifications for public office, 4) no statements expressly or impliedly endorsed or rejected any incumbent as a candidate for public office, 5) no comparison of incumbents with other candidates, 6) the organization pointed out the inherent limitations of judging the qualifications of an incumbent on the basis of the selected votes by stating the need to consider other unrecorded matters, and 7) no attempt was made to time the date of publication to coincide with an election. Another factor considered relevant was that the organization did not distribute the voting records widely. Again, a facts and circumstances test was utilized to determine whether the publication was political intervention.

Distinguishing factors between your scorecards and the documents at issue in Rev. Rul. 80-282 include the following: 1) your scorecards were distributed to a large

number of religious conservatives, while the documents at issue in Rev. Rul. 80-282 were only distributed to a few people, 2) the legislator's "score" was indicated based upon agreement/disagreement with your issues, and 3) the scorecards were published and distributed to coincide with the national and state elections. We also believe that the limited distribution in Rev. Rul. 80-282 was an important factor in the conclusion that an intervention did not occur. Your scorecards were very widely distributed among religious conservatives. Your targeted yet wide distribution of the congressional scorecards differs substantially with the factual situation in Rev. Rul. 80-282. Rev. Rul. 80-282 sets forth a facts and circumstances test. Therefore, after carefully considering all the facts and circumstances we conclude that the scorecards constitute political intervention.

3. Voter Guides:

An organization which publishes and distributes candidate questionnaire results in the form of voter guides must demonstrate neutrality in order for the voter guides to be considered educational. A facts and circumstances test is utilized to determine whether activities involving voter guides are educational or whether they are political campaign activities. In Rev. Rul. 78-248, 1978-1 C.B. 154, examples are given as to the factors which should be considered when applying a facts and circumstances test. The factors which are indications that the activities are educational are as follows: 1) the publication reports on a neutral group of elected officials or candidates such as all members of Congress or all candidates for a particular office, 2) the publication reports elected officials' or candidates' views or their voting records on a wide range of subjects, 3) the publication includes no editorial opinion on the elected officials or candidates, or on their views, 4) the publication does not indicate approval of elected officials or candidates in the contents or structure of the publication, and 5) the organization makes the publication generally available to the public.

After looking at your voter guides, several patterns emerge. First, as mentioned above, the Democratic candidates regularly have "No Response" listed after many of the issues, whereas very few Republican candidates were listed without a complete list of "Opposes" or "Supports" underneath their name and picture. Second, the issues chosen seem to have a direct correlation to the desired response from X's preferred Republican candidate, or conversely to portray a Democratic candidate as against X's positions. While these factors are not explicit endorsements of candidates, the lack of responses from Democratic candidates and the wording and choice of issues to create a particular response along party lines is significant. Also, the general nature of and approach taken with respect to the issues covered leads to responses which are arguably inaccurate. Additionally, the summary descriptions are so vague that they do not adequately cover any of the issues. Finally, the voter guides do not report on a

neutral group of candidates as required by Rev. Rul. 78-248. The voter guides list the names of a neutral group of candidates, but they fully report the positions of only some of the Democratic candidates and almost all of the positions of the Republican candidates. This reporting is so heavily weighted toward the Republican Party as to not constitute reporting on a neutral group of candidates.

In our view, the voter guides are heavily weighted in favor of the Republican candidates, especially those Republican incumbents endorsed on the congressional scorecards. We conclude that these voter guides cannot be considered nonpartisan educational materials within the intent of the law. Inaccurate and/or incomplete information does not constitute education. The targeted distribution of the scorecards and voter guides also indicates that these publications are not nonpartisan educational activities. These documents were distributed to previously identified conservative churches and conservative individuals. The voter guides would have only limited educational value to anyone wishing to know the positions of Democratic candidates or to compare the positions of Democratic and Republican candidates, since such a large percentage of Democratic candidates did not have their positions listed in the voter guides. Also, the possible distortion of the candidate's position when translating a vote on legislation to a summary description is an additional factor we have considered in determining that the voter guides constitute political intervention. Based on all the available information, we conclude that the voter guides are not nonpartisan and constitute intervention in political campaigns.

4. Lobbying Activities:

Lobbying activities were considered in Rev. Rul. 68-656, 1968-2 C.B. 216, to not only be an acceptable activity for an organization described in section 501(c)(4) of the Code, but to constitute activities that promote social welfare. Rev. Rul. 68-656 provides that seeking favorable legislation is recognized by the section 501(c)(4) regulations as a permissible means of attaining social welfare goals. Additionally, Rev. Rul. 71-530, 1971-2 C.B. 237, concludes that an organization described in section 501(c)(4) may have lobbying as its only activity. A facts and circumstances test is to be used in determining whether an organization's activities primarily constitute political intervention or whether those activities constitute lobbying or educational activities. After reviewing all of the facts and circumstances presented in the administrative file as discussed above, we have concluded that your primary emphasis and primary activities constituted direct and indirect political intervention. While you engage in extensive lobbying activities, they are by no means your primary activity. Your first and primary emphasis is on getting people elected to public office. The administrative record contains a wealth of information regarding your organizational structure and activities relating to candidate recruitment. There is only, secondarily, an emphasis on lobbying

and educational activities. Your organizational thrust is to organize at the neighborhood or precinct level in order to get religious conservatives elected to local offices; only secondarily is this precinct level organization utilized to influence legislation.

Accordingly, after looking at all of the facts and circumstances, we have concluded that your lobbying activity was not your primary activity.

CONCLUSION REGARDING YOUR PRIMARY ACTIVITY:

The emphasis throughout your materials is on electing to office "family friendly" people in order to impact legislation and policy as insiders. The overwhelming majority of the evidence in the administrative record, and thus the facts and circumstances in this case, denotes an organization that is intent upon intervening in political campaigns. The precinct organizational structure allows you to implement your policies as more and more religious conservatives are elected to office. While lobbying is usually mentioned, and we recognize that lobbying activities are being pursued, those activities are not your primary activity. An analysis of all of the facts and circumstances contained in the administrative file leads us to the conclusion that your primary activity constitutes political intervention.

CONCLUSION:

Based upon the materials submitted in connection with your application, we have concluded that your activities primarily constitute direct and indirect participation or intervention in political campaigns on behalf of or in opposition to candidates for public office. Therefore, you are not primarily engaged in activities that promote social welfare and do not qualify for recognition of exemption under section 501(c)(4) of the Code.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views to this office, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 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 officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If we do not hear from you within 30 days, this ruling will become final and a copy will be forwarded to the Ohio Tax Exempt and Government Entities (TE/GE) office. Thereafter, any questions about your federal income tax status should be directed to that office, either by calling 877-829-5500 (a toll free number) or sending

correspondence to: Internal Revenue Service, TE/GE Customer Service, P.O. Box 2508, Cincinnati, OH 45201.

When sending additional letters to us with respect to this case, you will expedite their receipt by using the following address:

Internal Revenue Service
Attn: T:EO:RA:T:3, Room 6137
1111 Constitution Ave, NW
Washington, D.C. 20224

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Robert C. Harper, Jr.
Manager, Exempt Organizations
Technical Group 3

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **200903080**
Release Date: 1/16/2009

Date: 10/22/08

U.I.L. 501.04-03

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:
1120
Tax Years:
ALL

Dear :

This is our final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code section 501(a) as an organization described in Code section 501(c)(4).

We made this determination for the following reasons: You were not primarily engaged in activities that promote social welfare. Your activities primarily constituted direct and indirect participation in political campaigns on behalf of, or in opposition to, candidates for public office.

You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. We amended the proposed adverse determination letter that was issued on July 25, 2000, by inserting a legend to delete identifying information for purposes of disclosure compliance under section 6110. Please read the enclosed Notice 437, *Notice of Intention to Disclose,* and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at

1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Robert Choi
Director, Exempt Organizations
Rulings & Agreements

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

U.I.L. 501.04-03

July 25, 2000

Contact Person:

ID Number:

Telephone Number:
Fax:

Employer Identification Number:

Legend:

W =
X =

A =

Date 1 =
Date 2 =
Date 3 =
Date 4 =

Year 1 =
Year 2 =

State 1 =
State 2 =
State 3 =

Magazine =
Seminar =
Newsletter =
Conference =

Dear :

We have considered your application for recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(4). Based upon all of the materials you have submitted in connection with your application, we have concluded that your activities primarily constitute direct and indirect participation or intervention in political campaigns on behalf of or in opposition to candidates for public office. Accordingly, we have concluded that you are not primarily engaged in activities that promote social welfare and do not qualify for recognition of exemption under section 501(c)(4).

STATEMENT OF FACTS:

The information you have provided for our consideration of your application for recognition of exemption indicates that you were incorporated on Date 1, under the General Laws of the State 1. Your Articles of Incorporation state the following:

> The principal purpose of the Corporation is to encourage active citizenship among people professing the W faith. Other purposes are to support and uphold values and moral principles that accord with the Holy Bible; to defend religious freedom; to enunciate an interpretation of the United States Constitution which is in accordance with the original intention of the framers of the United States Constitution; and to promulgate and teach concern for the sanctity of life, traditional family values, an economic system which fosters individual self reliance, opposition to tyranny, and faith in God.

You are a state affiliate of X, a national organization based in State 2. The submitted copy of your affiliation agreement with X in Date 4 includes the following provisions:

1. You shall have the right to represent X in the State 1 and shall be known as its affiliate.

2. You shall acknowledge the objectives and purposes of X as set forth in the Charter and in the Bylaws of X and agree to take such action as appropriate to implement such objectives and purposes and to enhance the reputation and goodwill of X.

3. You are granted a non-exclusive, revocable license to use X's name, logo, and any and all trademarks or service marks that X now or hereafter owns during the

term of the agreement.

4. You shall provide X for its approval, prior to publication, broadcast or distribution, a copy of all advertisements, press releases, radio or television spots, newsletters, fundraising materials, brochures, voter guides, and other printed materials for public dissemination on which X's name, logo, trademarks, or service marks are used or appear.

5. You shall incorporate, and maintain corporate status, as a nonprofit corporation and apply for recognition of exemption under section 501(c)(4) of the Code.

6. You shall adopt bylaws subject to the applicable laws of the State 1 and shall be substantially in the form of the bylaws of X. You shall have the right to adopt additional bylaw provisions as are required by statute or deem appropriate, provided, however, that such additional bylaw provisions shall not be inconsistent with the Charter, the X bylaws, or this agreement.

7. Any proposed amendments of your governing document shall be submitted to X for review and approval.

8. You may organize and recognize local X chapters in the State 1, provided you enter into an affiliation agreement with each local chapter and each such agreement is approved by X. Once a quarter, you shall provide X with the names and addresses of each local chapter, as well as the names, addresses and phone numbers of the leader in each local chapter.

9. You may send mailings to certain X proprietary mailing lists for a reasonable computer and label/tape charge.

10. X shall provide you with a list of activists on X's database for the state to use for fund-raising purposes.

11. X shall conduct for you regular workshops to teach fund-raising and organizing skills for state leadership.

12. X shall schedule at least one leadership school per calendar year in your state, to be sponsored by you. You shall be responsible for recruiting at least seventy five (75) paid registrants for the seminar. X shall provide all educational materials at cost, a national or regional instructor, and one mailing from the national office to promote and publicize the school;

13. X will work with you to hold at least one major fund-raising event per calendar year to be attended by A (as schedule permits) and/or other nationally recognized individuals.

14. X will provide you with access to its flagship publication, Magazine. You shall be able to place a four-page insert into all copies of the Magazine mailed to the members of the X in your state. The cost of printing and mailing the insert will be paid for by X. In addition, limited bulk mailings of the Magazine will be sent to drop points you designated.

15. X shall provide state and local leaders with a regular update of events in the nation's capital.

16. X shall provide you with voter education materials specific to your state. Congressional scorecards will be provided at cost, and federal voter guides will be provided free of charge.

17. You and X are separate corporate entities and as such shall not incur any liability, obligation, or expense on behalf of each other.

As the state affiliate of X in State 1, your objectives are similar to X. A brochure produced by X describes these objectives and their implementation as follows:

X was formed in Year 1 to speak out against anti-W bigotry and to make our government more responsive to the concerns of W and pro-family Americans. In pursuit of this goal, X...

- provides America's 40 million W voters with the information and knowledge that they need to make sure W voices are heard in government;
- represents Ws before the U.S. Congress, state legislatures and local governing bodies;
- registers Ws to vote and makes sure they cast ballots on Election Day; and
- protests unfair and biased treatment of Ws by the news media, the entertainment industry and officials in government.

You indicate that your main activities consist of lobbying the state legislature on education, tax, and social issues, conducting workshops, and distributing newsletters, voter guides and scorecards.

You conduct a seminar called X Seminar. Your flyer advertising the seminar headlines "THINK LIKE JESUS. LEAD LIKE MOSES. FIGHT LIKE DAVID. RUN LIKE LINCOLN." The seminar is indicated in the material as given by America's sharpest political strategies and is a crash course on:

- Why people of faith should be involved in politics.
- How to organize your neighborhood and precinct.
- Influencing public policy at all levels of government,
- How to effectively lobby elected officials.

The seminar uses training manuals produced and supplied by X. In his foreword to the training manual, A states the following:

> Our Seminar is designed to give you a hands-on-working knowledge of the essential nuts and bolts of grassroots political activism. You will learn valuable insights into: becoming a X liaison to your church; setting up a neighborhood organization; identifying pro-family voters; and learning how, "[a]ll politics is local."

You have been involved in the formation and development of county chapters and putting coordinators in neighborhood communities. X's brochures refers to the neighborhood community as a "precinct" and it states that X is organizing "precincts" as no other organization of any kind has done. The X precinct organization plan consists of getting neighborhood helpers to follow three simple steps:

- identify voters
- inform voters
- mobilize voters

You conduct surveys for identification and mobilization of voters. Your voter identification brochure, which was prepared by X, follows Abraham Lincoln's four rules for winning elections:

1 .Obtain a complete list of voters,
2. Determine how they will vote,
3. Contact the favorable voters, and
4. Get them to the polls on election day

Your voter identification brochure points out that Lincoln's four rules are the foundation of modern grassroots politics. The most effective element in influencing the public policy of a city, county or state is electing quality candidates to office. Voter identification is the key.

You also distribute voter guides on candidates from the Republican, Democratic and Independent parties for presidential, state and local elections. You also distribute voter guides for primary elections but only for the Republican Party. The voter guides for federal elections are produced and supplied by X. You produce voter guides for state and local elections similar to the X-produced materials. You distribute voter guides just prior to elections.

The format of the voter guides includes the names and sometimes pictures of the candidates for various elective offices. In the voter guide for the Year 2 election, all Republican candidates were shown with a response of either "Opposes" or "Supports" to the selected issue, and 1the Democratic candidates were shown to have "No Response" to most of the issues. The selected issues included:

10% Income Tax Cut
Parents' Right To Home School or Use Non-accredited Private School
Public Or Private School Vouchers
Require Parent's Consent To Presenting Sex Education Curriculum
Exempt Religious Day Care From MD Child Care Administration Oversight
Defining Homosexuals As A Minority Guaranteed Legal Rights To Abortion
Taxpayer Funding Of Abortion Through Health Insurance Mandates Or Medicaid
Crime Victims Compensated From Criminal Assets
Restrictions On Gun Owners

You distribute the voter guides to members and constituents. The voter guides state in small print that "[t]he information provided herein is for the purpose of voter education and is not intended as an endorsement of any candidate." However, your training material, Seminar, states the following:

> In Date 2, X distributed 500,000 voter guides in cooperation with minority groups and the Catholic Archdiocese in the State 3 City School Board races. As a result, an estimated 63 percent of pro-family candidates won

and conservatives gained ground in even the most liberal districts. Due to the concerted efforts of X state and local chapters, conservatives are enjoying victories of this nature all across America.

You also distribute congressional and legislative scorecards. The congressional scorecards prepared by X for distribution to voters through its state affiliates. The scorecard is a compilation of voting records of all incumbent members of the United States Congress with respect to issues on which X has taken a position. The names of legislators from the Republican Party are all capitalized but not the names of the legislators from the Democratic Party.

The X Congressional Scorecard, Year 2 Election Year Edition, shows how each United States senator and representative voted or announced on each of the selected issues with a rating of either "+ +" or "-" and a percentage score. The scorecard states that "+ +" indicates that the legislator voted or announced in favor of the X position, and "-" indicates that the legislator voted or announced against the X position. A score of 100 percent means that the legislator supported the X position on key issues on every vote cast during his or her current term in office.

The Year 2 congressional scorecard shows 12 issues that members of the U.S. House of Representatives voted on, and 14 issues that members of the U.S. Senate voted on. More than half of the issues voted on by members of the U.S. House of Representatives were identical to the issues voted on by members of the U.S. Senate. The issues chosen for the U. S. House of Representatives in Year 2 included the following:

Banning Immigration With HIV/AIDS Virus
Parental Notification For Abortion
Lifting Bans on Gays in the Military
Taxes To Promote Abortion
Fetal Issue Research
Clinton Pork-Barrel Spending
Clinton Tax-and-Spend Budget Plan
Increasing Debt Limit
Giving Parents A Say in Education
Government-Sanctioned Homosexual Marriages
Taxpayer-Funded Abortion
Taxpayer-Funded Pornography/Government Waste

You also publish Newsletter, a newsletter consisting of two pages updating members primarily on the status of legislation and the political scene. It also includes

information regarding the "Conference," an annual conference conducted by X that is billed as a legislative rally. The conference includes meetings with members of Congress and features speeches by prominent members of the Republican Party.

Additionally, you publish a four-page news supplement inserted in the Magazine. This bi-monthly magazine is published by X and distributed through its affiliates.

You also engage in lobbying activities. You distribute materials urging members and others in supporting or defeating certain conservative-issue legislation. The *Seminar Manual,* the training manual published by X, which you use in your seminars, contains the following information on the topic of the basic lobbying that X and you, as one of its affiliates, implement:

> The game of politics and lobbying operates no differently. In Date 3, we saw X teams all across the country work together to ensure those pro-family conservative values were represented in Congress. During that same election cycle, not one pro-life incumbent lost a seat in Congress, and a new tide of pro-family legislators rolled onto the shores of Capitol Hill because X team members played their parts.

LEGAL ANALYSIS:

Section 501(c)(4) of the Code provides for exemption from Federal income taxes under section 501(a) for organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-l(a)(2)(i) of the Income Tax Regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Whether an organization is "primarily" engaged in promoting social welfare is a facts and circumstances test. The regulation states:

> An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Section 1.501(c)(4)-l(a)(2)(i).

Section 1.501(c)(4)-l(a)(2)(ii) of the regulations provides that political campaign activities do not promote social welfare as defined in section 501(c)(4). The regulations

under section 501(c)(4) clearly distinguish between acceptable social welfare activities such as lobbying and unacceptable activities such as political campaign intervention. The regulation states:

> The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office.

Section 1.501(c)(4)-l(a)(2)(ii).

In order for an organization to engage in political campaign activities, there generally must be a candidate for public office on whose behalf or against whom the activity or intervention occurs. Section 1.501(c)(3)-l(c)(3)(iii) of the regulations states that the "term 'candidate for public office' means an individual who offers himself, or is proposed by others, as a contestant for an elective public office." In Rev. Rul. 76-456, 1976-2 C.B. 151, the organization at issue was formed for the purpose of elevating the standards of ethics in the conduct of campaigns for election to public office at the national, state and local levels, and had disseminated information concerning general campaign practices. The organization proposed a code of fair campaign practices, but did not solicit the signing or endorsement of the code by candidates for political office. We concluded that this did not constitute political intervention since the organization's activities only allowed citizens to increase their knowledge and understanding of election processes and participate more effectively in their selection of government officials, without any candidates even mentioned. At the same time we modified Rev. Rul. 66-258, 1966-2 C.B. 213, which was an identical organization except that it did solicit the signing or endorsement of its code of fair campaign practices by candidates for political office. We concluded that the latter organization was engaged in political intervention and therefore was not exempt under section 501(c)(3) of the Code. (Because these Rev. Ruls. contain a section 501(c)(3) analysis which prohibits all political campaign activities, the activities should be considered in absolute terms. However, for purposes of section 501(c)(4), we are determining whether political intervention is the primary activity of the organization.)

Whether an organization is "primarily engaged" in promoting social welfare is a facts and circumstances determination. Relevant factors include the manner in which the organization's activities are conducted; resources used in conducting such activities, such as buildings and equipment; the time devoted to activities (by volunteers as well as employees); the purposes furthered by various activities; and the amount of funds received from and devoted to particular activities. See, e.g., Rev. Rul. 74-361, 1974-2 C.B. 159 (volunteer fire company that provides recreational facilities for members is primarily engaged in promoting social welfare where providing facilities primarily furthers exempt purposes); Rev. Rul. 68-45, 1968-1 C.B. 259 (organization's principal

source of income is not sole factor in determining whether it is "primarily engaged" in promoting social welfare). In Rev. Rul. 81-95, 1981-1 C.B. 332, we concluded that "an organization may carry on lawful political activities and remain exempt under section 501(c)(4) of the Code as long as it is primarily engaged in activities that promote social welfare." The corollary to this is that if an organization's primary activities do not promote social welfare but are direct or indirect political intervention, the organization is not exempt under section 501(c)(4). The key is to determine the character of the organization's primary activities by looking at all of the facts and circumstances.

1. Precinct Organization:

Your activities with regard to recruitment of people to become active in local politics at the precinct level appear to be identical to the recruitment and organization that takes place in a political party. Your leadership seminars train people to work in campaigns, and political involvement and get-out-the-vote activities are advocated in order to intervene and influence elections. Your focus is on getting people to become candidates and activists. While organizing down to the precinct or neighborhood level has enabled you to mobilize some limited legislative grassroots campaigns, this organizational basis has primarily been used to mobilize targeted conservative voters to get to the polls on election day. It has also been used to identify and encourage religious conservatives to run for local office. From your inception, you have been part of X's precinct organization intended to facilitate intervention in the political process at every level of government. As stated above, it is also evident that you were interested in legislation and lobbying activities. However, after a careful review of the materials presented, it is apparent that the lobbying activities were secondary to political intervention. You primarily engage in activities intended to intervene in the political process and to influence the elections of those Republican conservative candidates who reflected your views. Your emphasis is focused on activities which were designed to result in the election of religious conservatives to public office at every level of government. Using the facts and circumstances test, we conclude that your precinct organizational basis was implemented primarily to intervene in political campaigns.

2. Legislative Scorecards:

In defining political campaign activity, Rev. Rul. 67-368, 1967-2 C.B. 194, states that rating candidates as average, good, or excellent using qualifications such as education and experience, even on a nonpartisan basis, is an intervention on behalf of those candidates favorably rated and in opposition to those less favorably rated for purposes of section 501(c)(4) of the Code. See The Association of the Bar of the City of New York v. Commissioner, 858 F.2d 876 (2d Cir. 1988), cert. denied 490 U.S. 1030 (1989). However, in Rev. Rul. 80-282, 1980-2 C.B. 178, we concluded that publishing

the voting records of all incumbent members of Congress on selected legislative issues soon after the close of each congressional session, along with an expression of the organization's position on the issues, were not political campaign activities. We set forth several factors which were considered when ruling that the publication and distribution of the voting records were not political intervention. Those factors included: 1) voting records of all incumbents were presented, 2) candidates for reelection were not identified, 3) no comment was made on an individual's overall qualifications for public office, 4) no statements expressly or impliedly endorsed or rejected any incumbent as a candidate for public office, 5) no comparison of incumbents with other candidates, 6) the organization pointed out the inherent limitations of judging the qualifications of an incumbent on the basis of the selected votes by stating the need to consider other unrecorded matters, and 7) no attempt was made to time the date of publication to coincide with an election. Another factor considered relevant was that the organization did not distribute the voting records widely. Again, a facts and circumstances test was utilized to determine whether the publication was political intervention.

Distinguishing factors between your scorecards and the documents at issue in Rev. Rul. 80-282 include the following: 1) your scorecards were distributed to a large number of religious conservatives, while the documents at issue in Rev. Rul. 80-282 were only distributed to a few people, 2) the legislator's "score" was indicated based upon agreement/disagreement with your issues, and 3) the scorecards were published and distributed to coincide with the national and state elections. We also believe that the limited distribution in Rev. Rul. 80-282 was an important factor in the conclusion that an intervention did not occur. Your scorecards were very widely distributed among religious conservatives. Your targeted yet wide distribution of the congressional scorecards differs substantially with the factual situation in Rev. Rul. 80-282. Rev. Rul. 80-282 sets forth a facts and circumstances test. Therefore, after carefully considering all the facts and circumstances we conclude that the scorecards constitute political intervention.

3. Voter Guides:

An organization which publishes and distributes candidate questionnaire results in the form of voter guides must demonstrate neutrality in order for the voter guides to be considered educational. A facts and circumstances test is utilized to determine whether activities involving voter guides are educational or whether they are political campaign activities. In Rev. Rul. 78-248, 1978-1 C.B. 154, examples are given as to the factors which should be considered when applying a facts and circumstances test. The factors which are indications that the activities are educational are as follows: 1) the publication reports on a neutral group of elected officials or candidates such as all

members of Congress or all candidates for a particular office, 2) the publication reports elected officials' or candidates' views or their voting records on a wide range of subjects, 3) the publication includes no editorial opinion on the elected officials or candidates, or on their views, 4) the publication does not indicate approval of elected officials or candidates in the contents or structure of the publication, and 5) the organization makes the publication generally available to the public.

After looking at your voter guides, several patterns emerge. First, as mentioned above, the Democratic candidates regularly have "No Response" listed after many of the issues, whereas very few Republican candidates were listed without a complete list of "Opposes" or "Supports" underneath their name and picture. Only the names of Republican candidates are shown in capital letters. Second, the issues chosen seem to have a direct correlation to the desired response from X's preferred Republican candidate, or conversely to portray a Democratic candidate as against X's positions. While these factors are not explicit endorsements of candidates, the lack of responses from Democratic candidates and the wording and choice of issues to create a particular response along party lines is significant. Also, the general nature of and approach taken with respect to the issues covered leads to responses which are arguably inaccurate. Additionally, the summary descriptions are so vague that they do not adequately cover any of the issues. Finally, the voter guides do not report on a neutral group of candidates as required by Rev. Rul. 78-248. The voter guides list the names of a neutral group of candidates, but they fully report the positions of only some of the Democratic candidates and almost all of the positions of the Republican candidates. This reporting is so heavily weighted toward the Republican Party as to not constitute reporting on a neutral group of candidates.

In our view, the voter guides are heavily weighted in favor of the Republican candidates, especially those Republican incumbents endorsed on the congressional scorecards. We conclude that these voter guides cannot be considered nonpartisan educational materials within the intent of the law. Inaccurate and/or incomplete information does not constitute education. The targeted distribution of the scorecards and voter guides also indicates that these publications are not nonpartisan educational activities. These documents were distributed to previously identified conservative churches and conservative individuals. The voter guides would have only limited educational value to anyone wishing to know the positions of Democratic candidates or to compare the positions of Democratic and Republican candidates, since such a large percentage of Democratic candidates did not have their positions listed in the voter guides. Also, the possible distortion of the candidate's position when translating a vote on legislation to a summary description is an additional factor we have considered in determining that the voter guides constitute political intervention. Based on all the available information, we conclude that the voter guides are not nonpartisan and

constitute intervention in political campaigns.

4. Lobbying Activities:

Lobbying activities were considered in Rev. Rul. 68-656, 1968-2 C.B. 216, to not only be an acceptable activity for an organization described in section 501(c)(4) of the Code, but to constitute activities that promote social welfare. Rev. Rul. 68-656 provides that seeking favorable legislation is recognized by the section 501(c)(4) regulations as a permissible means of attaining social welfare goals. Additionally, Rev. Rul. 71-530, 1971-2 C.B. 237, concludes that an organization described in section 501(c)(4) may have lobbying as its only activity. A facts and circumstances test is to be used in determining whether an organization's activities primarily constitute political intervention or whether those activities constitute lobbying or educational activities. After reviewing all of the facts and circumstances presented in the administrative file as discussed above, we have concluded that your primary emphasis and primary activities constituted direct and indirect political intervention. While you engage in extensive lobbying activities, they are by no means your primary activity. Your first and primary emphasis is on getting people elected to public office. The administrative record contains a wealth of information regarding your organizational structure and activities relating to candidate recruitment. There is only, secondarily, an emphasis on lobbying and educational activities. Your organizational thrust is to organize at the neighborhood or precinct level in order to get religious conservatives elected to local offices; only secondarily is this precinct level organization utilized to influence legislation.

Accordingly, after looking at all of the facts and circumstances, we have concluded that your lobbying activity was not your primary activity.

CONCLUSION REGARDING YOUR PRIMARY ACTIVITY:

The emphasis throughout your materials is on electing to office "family friendly" people in order to impact legislation and policy as insiders. The overwhelming majority of the evidence in the administrative record, and thus the facts and circumstances in this case, denotes an organization that is intent upon intervening in political campaigns. The precinct organizational structure allows you to implement your policies as more and more religious conservatives are elected to office. While lobbying is usually mentioned, and we recognize that lobbying activities are being pursued, those activities are not your primary activity. An analysis of all of the facts and circumstances contained in the administrative file leads us to the conclusion that your primary activity constitutes political intervention.

CONCLUSION:

Based upon the materials submitted in connection with your application, we have concluded that your activities primarily constitute direct and indirect participation or intervention in political campaigns on behalf of or in opposition to candidates for public office. Therefore, you are not primarily engaged in activities that promote social welfare and do not qualify for recognition of exemption under section 501(c)(4) of the Code.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views to this office, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 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 officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If we do not hear from you within 30 days, this ruling will become final and a copy will be forwarded to the Ohio Tax Exempt and Government Entities (TE/GE) office. Thereafter, any questions about your federal income tax status should be directed to that office, either by calling 877-829-5500 (a toll free number) or sending correspondence to: Internal Revenue Service, TE/GE Customer Service, P.O. Box 2508, Cincinnati, OH 45201.

When sending additional letters to us with respect to this case, you will expedite their receipt by using the following address:

Internal Revenue Service
Attn: T:EO:RA:T:3, Room 6137
1111 Constitution Ave, NW
Washington, D.C. 20224

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Robert C. Harper, Jr.
Manager, Exempt Organizations
Technical Group 3

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Number: **201128032**
Release Date: 7/15/2011

Date: April 4, 2011

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

Tax Years:

UIL: 501.04-00

Dear :

This is our final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code section 501(a) as an organization described in Code section 501(c)(4).

We made this determination for the following reason(s):

You are not operated primarily to promote social welfare because your activities are conducted primarily for the benefit of a political party and a private group of individuals, rather than the community as a whole.

You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose,* and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at

1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: January 13, 2011

Contact Person:

Identification Number:

Contact Number:

FAX Number:

UIL Code:
501.04-00

Employer Identification Number:

Legend:
State =
Party =

Dear :

We have considered your application for recognition of exemption from Federal income tax under section 501(a) of the Internal Revenue Code ("the Code"). Based on the information provided, we have concluded that you do not qualify for exemption under section 501(c)(4) of the Code. The basis for our conclusion is set forth below.

FACTS

You were formed on August 16, 2006 as a nonprofit corporation under the laws of State. Your Articles of Incorporation and Bylaws state that your purpose is to

Your Bylaws provide that your properties and assets are dedicated to social welfare purposes, upon dissolution or otherwise, and that no part of your net income or assets may inure to the benefit of any director, officer, member, or private individual.

You conduct a training program for who are members of Party, including sessions covering

Your potential trainees must apply, remit a application fee, and be interviewed to be admitted to your program. To enroll, trainees must pay tuition of You state that you may provide partial or full financial aid following admission to the program.

Your website contains various materials related to your training program. Your homepage states,

Your webpage states that you select students for your training program based on evidence of

This webpage also states that applicants must be Party members and

Your 2011 Program Application contains a section which asks the potential trainee, and, If an applicant did not is then asked to explain why.

Your 2011 Program Application also contains a which requires the applicant to affirm the following:

Your webpage notes the success of which includes

LAW

Section 501(a) of the Internal Revenue Code ("Code") exempts from federal income tax organizations described in section 501(c)(4).

Section 501(c)(4)(A) of the Code describes civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare. Section 501(c)(4)(B) indicates that subparagraph (A) shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

Section 1.501(c)(4)-1(a)(1) of the Income Tax Regulations ("regulations") states that an organization may be exempt as an organization described in section 501(c)(4) of the Code if it is not organized or operated for profit and is operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way

the common good and general welfare of the people of the community, such as bringing about civic betterments and social improvements.

Rev. Rul. 73-306, 1973-2 C.B. 179, provides that an organization formed for the purpose of promoting the common interest of tenants who reside in a particular apartment complex does not qualify for exemption under section 501(c)(4) of the Code. Any person regularly living in the complex was eligible for membership. The organization represented its member-tenants in negotiations with the management of the complex in order to secure better maintenance and services, as well as reasonable rentals. The ruling holds that the organization was not described in section 501(c)(4) because it operated essentially to benefit its members and, thus, was not primarily engaged in activities that promote the common good and general welfare of the community. In contrast, Rev. Rul. 80-206, 1980-2 C.B. 185, holds that an organization formed to promote the legal rights of all tenants in a community, instead of limiting its benefits to member-tenants, does qualify for exemption under section 501(c)(4) of the Code.

Rev. Rul. 73-349, 1973-2 C.B. 179, holds that an organization formed to purchase groceries for its members at the lowest possible prices on a cooperative basis is not exempt under section 501(c)(4) of the Code. Rather, the organization was a cooperative enterprise operated primarily for the private economic benefit or convenience of its members, and provided only incidental benefit to the community.

Rev. Rul. 75-286, 1975-2 C.B. 210, describes an organization that was formed by the residents of a city block to preserve and beautify that block, to improve all public facilities within the block, and to prevent physical deterioration of the block. Its activities consisted of paying the city government to plant trees on public property within the block, organizing residents to pick up litter and refuse in the public streets and on public sidewalks within the block, and encouraging residents to take an active part in beautifying the block by placing shrubbery in public areas. Much of the public area improved by the organization was part of the public roadway lying between the sidewalk and the street in front of private property owned by members of the organization. Membership in the organization was restricted to residents of the block and those owning property or operating businesses there.

Because the activities enhanced the value of the members' property rights, the organization served the private interests of its members and did not qualify for exemption under section 501(c)(3). The restricted nature of its membership and limited area in which improvements were made were further indicators of private benefit. However, by beautifying and preserving public property in cooperation with the local government, the organization was considered to primarily promote the general welfare of the community even though its activities also benefited its members. Therefore, the organization did qualify under section 501(c)(4).

In Erie Endowment v. United States, 316 F.2d 151 (3d Cir. 1963), the court held that to qualify for exemption within the meaning of section 501(c)(4) of the Code, "the organization must be a community movement designed to accomplish community ends." Id. at 156.

In Commissioner v. Lake Forest, Inc., 305 F.2d 814 (4th Cir. 1962), a corporation was organized by World War II veterans for the purpose of purchasing a government housing project and converting it to cooperative, nonprofit housing for its members. Individuals became members in the corporation by purchasing an apartment unit and, as such, the number of members was limited to the number of units available. The court held that the organization was not described

in section 501(c)(4) of the Code because it was "a public-spirited but privately-devoted endeavor" that provided only incidental benefit to the community. Id. at 818. The organization did not promote social welfare because it furnished housing only to a certain group of individuals, rather than on a community basis, and did not offer a service or program for the direct betterment or improvement of the community as a whole.

In New York State Association of Real Estate Boards Group Insurance Fund v. Commissioner, 54 T.C. 1325 (1970), an association organized by a small group interested in obtaining group insurance did not qualify for exemption because it offered its benefits to only a limited class of its members and their employees. The court noted "[t]here is not in such an organization the requisite civic concern to constitute social welfare" required for qualification under section 501(c)(4). Where the primary benefit from an organization is limited to that organization's members, and not provided to the community as a whole, the organization is not operated primarily for the social welfare.

In Contracting Plumbers Cooperative Restoration Corp. v. United States, 488 F.2d 684 (2d Cir. 1973), cert. denied, 419 U.S. 827 (1974), plumbers working in New York City were responsible for the cuts they made in the city streets. Prior to the organization's existence, the city had repaired the cuts and billed the plumbers individually in what proved to be a highly inefficient system. The organization was formed in order to restore the city streets. It only repaired cuts made by its members. The joint effort of the plumbers reduced their liability and their expenses, and more efficiently repaired the city streets. While the court found that the program provided substantial benefits to the public, it concluded that the organization primarily served the private economic interests of its members and, thus, could not be considered exempt under section 501(c)(4) of the Code.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), the organization's primary activity was to operate a school ("the Academy") training individuals for careers as political campaign professionals. The organization represented on its application for exemption that the Academy was an outgrowth of programs operated by the National Republican Congressional Committee ("NRCC") that were designed to train candidates and to train and subsequently place campaign professionals in Republican campaigns. In addition, the NRCC contributed physical assets to the Academy, two of the Academy's six full-time faculty members had been previously involved in the NRCC's training program, one of the Academy's three initial directors was the Executive Director of the NRCC at the time, and another initial director was a member of the Republican National Committee at the time. The Academy's activities were exclusively funded by the National Republican Congressional Trust. The Academy's curriculum included discussions concerning "How some Republicans have won Black votes," "NRCC/RNC/NRSC/State Party naughtiness," and "Use of GOP allies," without a counterbalance of comparable studies of other political parties.

While applicants to the Academy were not required to formally declare their political affiliation to attend the organization's school, the admission panel could deduce such affiliation from the campaign experiences and political references in the applications. The court found that this knowledge of an applicant's political affiliations allowed the admission panel to limit enrollment to applicants who were likely to subsequently work in Republican organizations and campaigns. Indeed, the court found that no graduate was known to affiliate with any political party other than the Republican Party. A substantial number of the members of the Academy's admission panel were affiliated with the Republican Party.

The Service determined that the organization operated for a substantial, non-exempt private purpose. The Tax Court agreed, holding the organization did not operate exclusively for exempt, educational purposes under section 501(c)(3) of the Code because it conducted its activities to benefit the private interests of Republican entities and candidates. Although these entities and candidates were not organization "insiders," the court stated that the conferral of nonincidental benefits on disinterested persons may cause an organization to serve a private interest. While the school had a legitimate educational program, it conducted these activities with the partisan objective of benefiting Republican candidates and entities. As such, a more than incidental private benefit was conferred on Republican entities and candidates who employed the Academy's students, one that precluded exemption under section 501(c)(3).

ANALYSIS

Based on the information you submitted with your application and in subsequent correspondence, you are not operated exclusively for the promotion of social welfare within the meaning of section 501(c)(4) of the Code because your activities primarily serve private interests. Therefore, you do not qualify for exemption from federal income tax as an organization described in section 501(c)(4).

Your activities do not primarily promote social welfare because you primarily benefit private individuals and interests.

An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Section 1.501(c)(4)-1(a)(2)(i) of the regulations. An organization recognized under section 501(c)(4) is operated primarily for the purpose of bringing about civic betterments and social improvements. Id.

To qualify for exemption under section 501(c)(4), an organization must primarily benefit the community as a whole, rather than select individuals or groups. See Contracting Plumbers Coop. Restoration Corp., supra; New York State Ass'n of Real Estate Boards Group Ins. Fund, supra; Lake Forest, Inc., supra; Rev. Rul. 75-286, supra. A section 501(c)(4) organization must be "a community movement designed to accomplish community ends." Erie Endowment, supra. As such, a tenants' organization that benefits all the tenants in the community qualifies for exemption, while one that directs its activities toward benefiting only its member-tenants does not. Compare Rev. Rul. 80-206, supra, with Rev. Rul. 73-306, supra; see also Rev. Rul. 73-349, supra. Therefore, conferring a sufficient amount of private benefit on select individuals will preclude exemption under section 501(c)(4) for an organization that would otherwise qualify. Even if an organization substantially benefits the community, it will fail to qualify for exemption if it primarily benefits private interests. See Contracting Plumbers, supra.

Educational activities undertaken to provide a partisan benefit are considered to serve private interests, rather than the common good. In American Campaign Academy, supra, the court denied exemption under section 501(c)(3) to a school organized to train individuals for careers as political campaign professionals because its educational activities were operated with the partisan purpose of benefiting Republican Party entities and candidates. The private benefit conferred on these persons was more than incidental, and thus demonstrated a substantial non-exempt purpose that precluded exemption. While you are requesting recognition as an

organization described in section 501(c)(4) and not section 501(c)(3) (as was American Campaign Academy), the standard for determining what constitutes private benefit described in American Campaign Academy applies to both sections As such, for purposes of both section 501(c)(3) and section 501(c)(4), an organization which conducts its educational activities to benefit a political party and its candidates serves private interests. And, as discussed above, an organization that primarily serves private interests fails to qualify for exemption under section 501(c)(4).

Thus, notwithstanding any benefit your educational activities may provide to the community, you fail to qualify for exemption because your training program primarily benefits the interests of the Party and its candidates. According to your Articles and Bylaws, your primary activity is to train and recruit who are members of the Party to run for political office. Like the school in American Campaign Academy, your purpose in conducting this activity is to provide education solely to individuals affiliated with a certain political party who want to enter politics. Indeed, you measure your success in terms of the number of your graduates who have run for, or won, elective office representing the Party.

Because your primary activity is an educational program that is limited to who are members of the Party and that is conducted with the partisan objective of increasing the number of the Party's elected officials, you primarily serve private interests. Therefore, the operation of your program does not promote social welfare within the meaning of section 501(c)(4) of the Code.

CONCLUSION

In summary, you are not operated primarily to promote social welfare because your activities are conducted primarily for the benefit of a political party and a private group of individuals, rather than the community as a whole. Accordingly, you do not qualify for exemption as an organization described in section 501(c)(4) of the Code and you must file federal income tax returns.

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(4) of the Code and you must file federal income tax returns.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination.

Your protest statement should be accompanied by the following declaration:

> *Under penalties of perjury, I declare that I have examined this protest statement, including accompanying documents, and, to the best of my knowledge and belief, the statement contains all the relevant facts, and such facts are true, correct, and complete.*

You also have a right to request a conference to discuss your protest. This request should be made when you file your protest statement. An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you. If you want representation during the conference procedures, you must file a proper power of attorney,

Form 2848, *Power of Attorney and Declaration of Representative,* if you have not already done so. For more information about representation, see Publication 947, *Practice before the IRS and Power of Attorney.* All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848 and any supporting documents to this address:

Internal Revenue Service
*****
1111 Constitution Ave, N.W.
Washington, DC 20224

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Lois Lerner
Director, Exempt Organizations
Rulings & Agreements

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Number: **201128034**
Release Date: 7/15/2011

Date: April 18, 2011

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

Tax Years:

UIL: 501.04-00

Dear :

This is our final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code section 501(a) as an organization described in Code section 501(c)(4).

We made this determination for the following reason(s):

You are not operated primarily to promote social welfare because your activities are conducted primarily for the benefit of a political party and a private group of individuals, rather than the community as a whole.

You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose,* and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at

1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: January 14, 2011

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

UIL Code:
501.04-00

Legend:
State =
Party =

Dear :

We have considered your application for recognition of exemption from Federal income tax under section 501(a) of the Internal Revenue Code ("the Code"). Based on the information provided, we have concluded that you do not qualify for exemption under section 501(c)(4) of the Code. The basis for our conclusion is set forth below.

FACTS

You were formed on December 21, 2007 as a nonprofit corporation under the laws of State. Your Articles of Organization and Bylaws state that your purpose is

and 4. To operate exclusively to promote the social welfare within the meaning of Section 501(c)(4) of the Internal Revenue Code . . . .

Your Articles of Organization and Bylaws provide that upon dissolution, your assets shall be dedicated to social welfare purposes, and that no part of your net income or assets may inure to the benefit of any director, officer, member, or private individual.

You conduct a training program of for who are members of Party. The program includes sessions covering

Your recruitment of students began in and training began in

You charge in tuition for your training program. You provide scholarships for tuition expenses and make payment plans available. You select up to participants each year.

Your website contains a number of materials related to your training program. Your homepage states that you are You describe your curriculum as follows:

Your website states that you select students for your training program based on evidence of

Your 2010 Program Application shows that one of your training dates coincides with the [Party]'s State Convention and contains a and, If an applicant did not is then asked to explain why.

Your 2010 Program Application also contains a which requires the applicant to affirm the following:

On your page you state you are,

On the same page, you state,

In answering the question "What makes [you] unique?" you state that you are

You also state that you are

In materials you provide to potential donors, you note your program's success by stating that the

LAW

Section 501(a) of the Internal Revenue Code ("Code") exempts from federal income tax organizations described in section 501(c)(4).

Section 501(c)(4)(A) of the Code describes civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare. Section 501(c)(4)(B) indicates that subparagraph (A) shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

Section 1.501(c)(4)-1(a)(1) of the Income Tax Regulations ("regulations") states that to be described in section 501(c)(4) of the Code, an organization must not be organized or operated for profit and must be operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2) of the regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Additionally, it states that an organization described within this section is operated primarily for the purpose of bringing about civic betterments and social improvements.

Rev. Rul. 73-306, 1973-2 C.B. 179, provides that an organization formed for the purpose of promoting the common interest of tenants who reside in a particular apartment complex does not qualify for exemption under section 501(c)(4) of the Code. Any person regularly living in the complex was eligible for membership. The organization represented its member-tenants in negotiations with the management of the complex in order to secure better maintenance and services, as well as reasonable rentals. The ruling holds that the organization was not described in section 501(c)(4) because it operated essentially to benefit its members and, thus, was not primarily engaged in activities that promote the common good and general welfare of the community. In contrast, Rev. Rul. 80-206, 1980-2 C.B. 185, holds that an organization formed to promote the legal rights of all tenants in a community, instead of limiting its benefits to member-tenants, does qualify for exemption under section 501(c)(4) of the Code.

Rev. Rul. 73-349, 1973-2 C.B. 179, holds that an organization formed to purchase groceries for its members at the lowest possible prices on a cooperative basis is not exempt under section 501(c)(4) of the Code. Rather, the organization was a cooperative enterprise operated primarily for the private economic benefit or convenience of its members, and provided only incidental benefit to the community.

Rev. Rul. 75-286, 1975-2 C.B. 210, describes an organization that was formed by the residents of a city block to preserve and beautify that block, to improve all public facilities within the block, and to prevent physical deterioration of the block. Its activities consisted of paying the city government to plant trees on public property within the block, organizing residents to pick up litter and refuse in the public streets and on public sidewalks within the block, and encouraging residents to take an active part in beautifying the block by placing shrubbery in public areas. Much of the public area improved by the organization was part of the public roadway lying between the sidewalk and the street in front of private property owned by members of the organization. Membership in the organization was restricted to residents of the block and those owning property or operating businesses there.

Because the activities enhanced the value of the members' property rights, the organization served the private interests of its members and did not qualify for exemption under section 501(c)(3). The restricted nature of its membership and limited area in which improvements were made were further indicators of private benefit. However, by beautifying and preserving public property in cooperation with the local government, the organization was considered to primarily promote the general welfare of the community even though its activities also benefited its members. Therefore, the organization did qualify under section 501(c)(4).

In Erie Endowment v. United States, 316 F.2d 151 (3d Cir. 1963), the court held that to qualify for exemption within the meaning of section 501(c)(4) of the Code, "the organization must be a community movement designed to accomplish community ends." Id. at 156.

In Commissioner v. Lake Forest, Inc., 305 F.2d 814 (4th Cir. 1962), a corporation was organized by World War II veterans for the purpose of purchasing a government housing project and converting it to cooperative, nonprofit housing for its members. Individuals became members in the corporation by purchasing an apartment unit and, as such, the number of members was limited to the number of units available. The court held that the organization was not described in section 501(c)(4) of the Code because it was "a public-spirited but privately-devoted endeavor" that provided only incidental benefit to the community. Id. at 818. The organization did not promote social welfare because it furnished housing only to a certain group of individuals, rather than on a community basis, and did not offer a service or program for the direct betterment or improvement of the community as a whole.

In New York State Association of Real Estate Boards Group Insurance Fund v. Commissioner, 54 T.C. 1325 (1970), an association organized by a small group interested in obtaining group insurance did not qualify for exemption because it offered its benefits to only a limited class of its members and their employees. The court noted "[t]here is not in such an organization the requisite civic concern to constitute social welfare" required for qualification under section 501(c)(4). Where the primary benefit from an organization is limited to that organization's members, and not provided to the community as a whole, the organization is not operated primarily for the social welfare.

In Contracting Plumbers Cooperative Restoration Corp. v. United States, 488 F.2d 684 (2d Cir. 1973), cert. denied, 419 U.S. 827 (1974), plumbers working in New York City were responsible for the cuts they made in the city streets. Prior to the organization's existence, the city had repaired the cuts and billed the plumbers individually in what proved to be a highly inefficient system. The organization was formed in order to restore the city streets. It only repaired cuts made by its members. The joint effort of the plumbers reduced their liability and their expenses, and more efficiently repaired the city streets. While the court found that the program provided substantial benefits to the public, it concluded that the organization primarily served the private economic interests of its members and, thus, could not be considered exempt under section 501(c)(4) of the Code.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), the organization's primary activity was to operate a school ("the Academy") training individuals for careers as political campaign professionals. The organization represented on its application for exemption that the Academy was an outgrowth of programs operated by the National Republican Congressional Committee ("NRCC") that were designed to train candidates and to train and subsequently place campaign professionals in Republican campaigns. In addition, the NRCC contributed physical assets to the Academy, two of the Academy's six full-time faculty members had been previously involved in the NRCC's training program, one of the Academy's three initial directors was the Executive Director of the NRCC at the time, and another initial director was a member of the Republican National Committee at the time. The Academy's activities were exclusively funded by the National Republican Congressional Trust. The Academy's curriculum included discussions concerning "How some Republicans have won Black votes," "NRCC/RNC/NRSC/State Party naughtiness," and "Use of GOP allies," without a counterbalance of comparable studies of other political parties.

While applicants to the Academy were not required to formally declare their political affiliation to attend the organization's school, the admission panel could deduce such affiliation from the campaign experiences and political references in the applications. The court found that this knowledge of an applicant's political affiliations allowed the admission panel to limit enrollment to applicants who were likely to subsequently work in Republican organizations and campaigns. Indeed, the court found that no graduate was known to affiliate with any political party other than the Republican Party. A substantial number of the members of the Academy's admission panel were affiliated with the Republican Party.

The Service determined that the organization operated for a substantial, non-exempt private purpose. The Tax Court agreed, holding the organization did not operate exclusively for exempt, educational purposes under section 501(c)(3) of the Code because it conducted its activities to benefit the private interests of Republican entities and candidates. Although these entities and candidates were not organization "insiders," the court stated that the conferral of nonincidental benefits on disinterested persons may cause an organization to serve a private interest. While the school had a legitimate educational program, it conducted these activities with the partisan objective of benefiting Republican candidates and entities. As such, a more than incidental private benefit was conferred on Republican entities and candidates who employed the Academy's students, one that precluded exemption under section 501(c)(3).

ANALYSIS

Based on the information you submitted with your application and in subsequent correspondence, you are not operated exclusively for the promotion of social welfare within the meaning of section 501(c)(4) of the Code because your activities primarily serve private interests. Therefore, you do not qualify for exemption from federal income tax as an organization described in section 501(c)(4).

Your activities do not primarily promote social welfare because you primarily benefit private individuals and interests.

An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Section 1.501(c)(4)-1(a)(2)(i) of the regulations. An organization recognized under section 501(c)(4) is operated primarily for the purpose of bringing about civic betterments and social improvements. Id.

To qualify for exemption under section 501(c)(4), an organization must primarily benefit the community as a whole, rather than select individuals or groups. See Contracting Plumbers Coop. Restoration Corp., supra; New York State Ass'n of Real estate Boards Group Ins. Fund, supra; Lake Forest, Inc., supra; Rev. Rul. 75-286, supra. A section 501(c)(4) organization must be "a community movement designed to accomplish community ends." Erie Endowment, supra. As such, a tenants' organization that benefits all the tenants in the community qualifies for exemption, while one that directs its activities toward benefiting only its member-tenants does not. Compare Rev. Rul. 80-206, supra, with Rev. Rul. 73-306, supra; see also Rev. Rul. 73-349, supra. Therefore, conferring a sufficient amount of private benefit on select individuals will preclude exemption under section 501(c)(4) for an organization that would otherwise qualify. Even if an organization substantially benefits the community, it will fail to qualify for exemption if

it primarily benefits private interests. See Contracting Plumbers, supra.

Educational activities undertaken to provide a partisan benefit are considered to serve private interests, rather than the common good. In American Campaign Academy, supra, the court denied exemption under section 501(c)(3) to a school organized to train individuals for careers as political campaign professionals because its educational activities were operated with the partisan purpose of benefiting Republican Party entities and candidates. The private benefit conferred on these persons was more than incidental, and thus demonstrated a substantial non-exempt purpose that precluded exemption. While you are requesting recognition as an organization described in section 501(c)(4) and not section 501(c)(3) (as was American Campaign Academy), the standard for determining what constitutes private benefit described in American Campaign Academy applies to both sections As such, for purposes of both section 501(c)(3) and section 501(c)(4), an organization which conducts its educational activities to benefit a political party and its candidates serves private interests. And, as discussed above, an organization that primarily serves private interests fails to qualify for exemption under section 501(c)(4).

Thus, notwithstanding any benefit your educational activities may provide to the community, you fail to qualify for exemption because your training program primarily benefits the interests of the Party and its candidates. According to your Articles, Bylaws, and website, your primary activity is to train and recruit who are members of Party to run for political office. Moreover, your program application asks prospective students to disclose specific details of their political participation as a member of Party, and clearly discloses that you limit your membership to registered members of the Party Like the school in American Campaign Academy, your purpose in conducting this activity is to provide education solely to individuals affiliated with a certain political party who want to enter politics. Indeed, you measure your success in terms of the number of your graduates who have won elective office representing the Party.

Because your primary activity is an educational program that is limited to who are members of Party and is conducted with the partisan objective of increasing the number of Party's elected officials, you primarily serve private interests. Therefore, the operation of your program does not promote social welfare within the meaning of section 501(c)(4) of the Code.

CONCLUSION

In summary, you are not operated primarily to promote social welfare because your activities are conducted primarily for the benefit of a political party and a private group of individuals, rather than the community as a whole. Accordingly, you do not qualify for exemption as an organization described in section 501(c)(4) of the Code and you must file federal income tax returns.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination.

Your protest statement should be accompanied by the following declaration:

Under penalties of perjury, I declare that I have examined this protest statement, including accompanying documents, and, to the best of my knowledge and belief, the statement contains all the relevant facts, and such facts are true, correct, and complete.

You also have a right to request a conference to discuss your protest. This request should be made when you file your protest statement. An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you. If you want representation during the conference procedures, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative,* if you have not already done so. For more information about representation, see Publication 947, *Practice before the IRS and Power of Attorney.* All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848 and any supporting documents to this address:

Internal Revenue Service
*****
1111 Constitution Ave, N.W.
Washington, DC 20224

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Holly Paz
Acting Director, Exempt Organizations
Rulings & Agreements

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **201128035**
Release Date: 7/15/2011

Date: April 18, 2011

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

Tax Years:

UIL: 501.04-00

Dear :

This is our final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code section 501(a) as an organization described in Code section 501(c)(4).

We made this determination for the following reason(s):

You are not operated primarily to promote social welfare because your activities are conducted primarily for the benefit of a political party and a private group of individuals, rather than the community as a whole.

You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose,* and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at

1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: 1/13/11

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

Dear :

We have considered your application for recognition of exemption from Federal income tax under section 501(a) of the Internal Revenue Code ("the Code"). Based on the information provided, we have concluded that you do not qualify for exemption under section 501(c)(4) of the Code. The basis for our conclusion is set forth below.

FACTS

You were formed on August 7, 2006 as a nonprofit corporation under the laws of *****. Your Articles of Incorporation state that you are organized for the following purpose

In addition, your Bylaws state that your purpose is:

Your Bylaws provide that your properties and assets are dedicated to social welfare purposes, upon dissolution or otherwise, and that no part of your net income or assets may inure to the benefit of any director, officer, member, or private individual.

You conduct a training program of for ***** The program includes sessions

This activity began in and you train up to each year.

You charge a application fee for prospective students and in tuition for your training program. You provide scholarships for tuition expenses to students who request them.

You state that you select students based on evidence of

Your program application for 2009 contains a portion which asks, and, Additionally, this portion asks, and, " If an applicant did not is then asked to explain why.

Your program application for 2009 also contains a which requires the applicant to affirm the following:

You have provided your which you state Your first is "***** You state in conjunction with this point that you Your second is that you have no litmus tests for your students Your include that you do not endorse candidates or legislation. You state that you "provide intensive training," which

Your training curriculum contains materials on in which the of the student's cabinet, or networking contacts, include "***** party insiders."

In materials you provide to your donors, you state that you are

In these materials, you note your success from 2007-2008 in recruiting, training, and

LAW

Section 501(a) of the Internal Revenue Code ("Code") exempts from federal income tax organizations described in section 501(c)(4).

Section 501(c)(4)(A) of the Code describes civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare. Section 501(c)(4)(B) indicates that subparagraph (A) shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

Section 1.501(c)(4)-1(a)(1) of the Income Tax Regulations ("regulations") states that an organization may be exempt as an organization described in section 501(c)(4) of the Code if it is not organized or operated for profit and is operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community, such as bringing about civic betterments and social improvements.

Rev. Rul. 73-306, 1973-2 C.B. 179, provides that an organization formed for the purpose of promoting the common interest of tenants who reside in a particular apartment complex does not qualify for exemption under section 501(c)(4) of the Code. Any person regularly living in the complex was eligible for membership. The organization represented its member-tenants in negotiations with the management of the complex in order to secure better maintenance and services, as well as reasonable rentals. The ruling holds that the organization was not described in section 501(c)(4) because it operated essentially to benefit its members and, thus, was not primarily engaged in activities that promote the common good and general welfare of the community. In contrast, Rev. Rul. 80-206, 1980-2 C.B. 185, holds that an organization formed to promote the legal rights of all tenants in a community, instead of limiting its benefits to member-tenants, does qualify for exemption under section 501(c)(4) of the Code.

Rev. Rul. 73-349, 1973-2 C.B. 179, holds that an organization formed to purchase groceries for its members at the lowest possible prices on a cooperative basis is not exempt under section 501(c)(4) of the Code. Rather, the organization was a cooperative enterprise operated primarily for the private economic benefit or convenience of its members, and provided only incidental benefit to the community.

Rev. Rul. 75-286, 1975-2 C.B. 210, describes an organization that was formed by the residents of a city block to preserve and beautify that block, to improve all public facilities within the block, and to prevent physical deterioration of the block. Its activities consisted of paying the city government to plant trees on public property within the block, organizing residents to pick up litter and refuse in the public streets and on public sidewalks within the block, and encouraging residents to take an active part in beautifying the block by placing shrubbery in public areas. Much of the public area improved by the organization was part of the public roadway lying between the sidewalk and the street in front of private property owned by members of the organization. Membership in the organization was restricted to residents of the block and those owning property or operating businesses there.

Because the activities enhanced the value of the members' property rights, the organization served the private interests of its members and did not qualify for exemption under section 501(c)(3). The restricted nature of its membership and limited area in which improvements were made were further indicators of private benefit. However, by beautifying and preserving public property in cooperation with the local government, the organization was considered to primarily promote the general welfare of the community even though its activities also benefited its members. Therefore, the organization did qualify under section 501(c)(4).

In Erie Endowment v. United States, 316 F.2d 151 (3d Cir. 1963), the court held that to qualify for exemption within the meaning of section 501(c)(4) of the Code, "the organization must be a community movement designed to accomplish community ends." Id. at 156.

In Commissioner v. Lake Forest, Inc., 305 F.2d 814 (4th Cir. 1962), a corporation was organized by World War II veterans for the purpose of purchasing a government housing project and converting it to cooperative, nonprofit housing for its members. Individuals became members in

the corporation by purchasing an apartment unit and, as such, the number of members was limited to the number of units available. The court held that the organization was not described in section 501(c)(4) of the Code because it was "a public-spirited but privately-devoted endeavor" that provided only incidental benefit to the community. Id. at 818. The organization did not promote social welfare because it furnished housing only to a certain group of individuals, rather than on a community basis, and did not offer a service or program for the direct betterment or improvement of the community as a whole.

In New York State Association of Real Estate Boards Group Insurance Fund v. Commissioner, 54 T.C. 1325 (1970), an association organized by a small group interested in obtaining group insurance did not qualify for exemption because it offered its benefits to only a limited class of its members and their employees. The court noted "[t]here is not in such an organization the requisite civic concern to constitute social welfare" required for qualification under section 501(c)(4). Where the primary benefit from an organization is limited to that organization's members, and not provided to the community as a whole, the organization is not operated primarily for the social welfare.

In Contracting Plumbers Cooperative Restoration Corp. v. United States, 488 F.2d 684 (2d Cir. 1973), cert. denied, 419 U.S. 827 (1974), plumbers working in New York City were responsible for the cuts they made in the city streets. Prior to the organization's existence, the city had repaired the cuts and billed the plumbers individually in what proved to be a highly inefficient system. The organization was formed in order to restore the city streets. It only repaired cuts made by its members. The joint effort of the plumbers reduced their liability and their expenses, and more efficiently repaired the city streets. While the court found that the program provided substantial benefits to the public, it concluded that the organization primarily served the private economic interests of its members and, thus, could not be considered exempt under section 501(c)(4) of the Code.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), the organization's primary activity was to operate a school ("the Academy") training individuals for careers as political campaign professionals. The organization represented on its application for exemption that the Academy was an outgrowth of programs operated by the National Republican Congressional Committee ("NRCC") that were designed to train candidates and to train and subsequently place campaign professionals in Republican campaigns. In addition, the NRCC contributed physical assets to the Academy, two of the Academy's six full-time faculty members had been previously involved in the NRCC's training program, one of the Academy's three initial directors was the Executive Director of the NRCC at the time, and another initial director was a member of the Republican National Committee at the time. The Academy's activities were exclusively funded by the National Republican Congressional Trust. The Academy's curriculum included discussions concerning "How some Republicans have won Black votes," "NRCC/RNC/NRSC/State Party naughtiness," and "Use of GOP allies," without a counterbalance of comparable studies of other political parties.

While applicants to the Academy were not required to formally declare their political affiliation to attend the organization's school, the admission panel could deduce such affiliation from the campaign experiences and political references in the applications. The court found that this knowledge of an applicant's political affiliations allowed the admission panel to limit enrollment to applicants who were likely to subsequently work in Republican organizations and campaigns. Indeed, the court found that no graduate was known to affiliate with any political party other than

the Republican Party. A substantial number of the members of the Academy's admission panel were affiliated with the Republican Party.

The Service determined that the organization operated for a substantial, non-exempt private purpose. The Tax Court agreed, holding the organization did not operate exclusively for exempt, educational purposes under section 501(c)(3) of the Code because it conducted its activities to benefit the private interests of Republican entities and candidates. Although these entities and candidates were not organization "insiders," the court stated that the conferral of nonincidental benefits on disinterested persons may cause an organization to serve a private interest. While the school had a legitimate educational program, it conducted these activities with the partisan objective of benefiting Republican candidates and entities. As such, a more than incidental private benefit was conferred on Republican entities and candidates who employed the Academy's students, one that precluded exemption under section 501(c)(3).

ANALYSIS

Based on the information you submitted with your application and in subsequent correspondence, you are not operated exclusively for the promotion of social welfare within the meaning of section 501(c)(4) of the Code because your activities primarily serve private interests. Therefore, you do not qualify for exemption from federal income tax as an organization described in section 501(c)(4).

Your activities do not primarily promote social welfare because you primarily benefit private individuals and interests.

An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Section 1.501(c)(4)-1(a)(2)(i) of the regulations. An organization recognized under section 501(c)(4) is operated primarily for the purpose of bringing about civic betterments and social improvements. Id.

To qualify for exemption under section 501(c)(4), an organization must primarily benefit the community as a whole, rather than select individuals or groups. See Contracting Plumbers Coop. Restoration Corp., supra; New York State Ass'n of Real estate Boards Group Ins. Fund, supra; Lake Forest, Inc., supra; Rev. Rul. 75-286, supra. A section 501(c)(4) organization must be "a community movement designed to accomplish community ends." Erie Endowment, supra. As such, a tenants' organization that benefits all the tenants in the community qualifies for exemption, while one that directs its activities toward benefiting only its member-tenants does not. Compare Rev. Rul. 80-206, supra, with Rev. Rul. 73-306, supra; see also Rev. Rul. 73-349, supra. Therefore, conferring a sufficient amount of private benefit on select individuals will preclude exemption under section 501(c)(4) for an organization that would otherwise qualify. Even if an organization substantially benefits the community, it will fail to qualify for exemption if it primarily benefits private interests. See Contracting Plumbers, supra.

Educational activities undertaken to provide a partisan benefit are considered to serve private interests, rather than the common good. In American Campaign Academy, supra, the court denied exemption under section 501(c)(3) to a school organized to train individuals for careers as political campaign professionals because its educational activities were operated with the partisan purpose of benefiting Republican Party entities and candidates. The private benefit

conferred on these persons was more than incidental, and thus demonstrated a substantial nonexempt purpose that precluded exemption. While you are an organization described in section 501(c)(4) and not section 501(c)(3) (as was American Campaign Academy), the standard for determining what constitutes private benefit described in American Campaign Academy applies to both sections As such, for purposes of both section 501(c)(3) and section 501(c)(4), an organization which conducts its educational activities to benefit a political party and its candidates serves private interests. And, as discussed above, an organization that primarily serves private interests fails to qualify for exemption under section 501(c)(4).

Thus, notwithstanding any benefit your educational activities may provide to the community, you fail to qualify for exemption because your training program primarily benefits the interests of the ***** and its candidates. According to your Articles and Bylaws, your primary activity is to train and recruit ***** to run for political office. Moreover, your program application asks prospective students to disclose specific details of their political participation as a *****, and clearly discloses that you limit your membership to registered members of the ***** Like the school in American Campaign Academy, your purpose in conducting this activity is to provide education solely to individuals affiliated with a certain political party who want to enter politics. Indeed, you measure your success in terms of the number of your graduates who have won elective office representing the ***** or are actively engaged as campaign managers and advocates for ***** campaigns.

Because your primary activity is an educational program that is limited to ***** and conducted with the partisan objective of increasing the number of ***** elected officials you primarily serve private interests. Therefore, the operation of your program does not promote social welfare within the meaning of section 501(c)(4) of the Code.

CONCLUSION

In summary, you are not operated primarily to promote social welfare because your activities are conducted primarily for the benefit of a political party and a private group of individuals, rather than the community as a whole. Accordingly, you do not qualify for exemption as an organization described in section 501(c)(4) of the Code and you must file federal income tax returns.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination.

Your protest statement should be accompanied by the following declaration:

> *Under penalties of perjury, I declare that I have examined this protest statement, including accompanying documents, and, to the best of my knowledge and belief, the statement contains all the relevant facts, and such facts are true, correct, and complete.*

You also have a right to request a conference to discuss your protest. This request should be made when you file your protest statement. An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you. If you

want representation during the conference procedures, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative,* if you have not already done so. For more information about representation, see Publication 947, *Practice before the IRS and Power of Attorney.* All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848 and any supporting documents to this address:

Internal Revenue Service
*****
1111 Constitution Ave, N.W.
Washington, DC 20224

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Holly Paz
Acting Director, Exempt Organizations
Rulings & Agreements

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **201142027**
Release Date: 10/21/2011

Date: June 30, 2011

UIL: 501.04-03

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

Tax Years:

Dear :

This is our final determination that you do not qualify for exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(4). Recently, we sent you a letter in response to your application that proposed an adverse determination. The letter explained the facts, law and rationale, and gave you 30 days to file a protest. Since we did not receive a protest within the requisite 30 days, the proposed adverse determination is now final.

You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose,* and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at

1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: June 30, 2011

Contact Person:

Identification Number:

UIL: 501.04-03

Contact Number:

FAX Number:

Employer Identification Number:

Legend:

State =
Party =

Dear :

We have considered your application for recognition of exemption from Federal income tax under section 501(a) of the Internal Revenue Code ("Code"). Based on the information provided, we have concluded that you do not qualify for exemption under section 501(c)(4) of the Code. The basis for our conclusion is set forth below.

FACTS

You were formed on December 8, 2008 as a nonprofit corporation under the laws of State. Your Articles of Incorporation state that you are "organized and shall be operated exclusively to inspire and train Party to run for public office."

Your Articles of Incorporation provide that upon dissolution or final liquidation, after the payment or provision for payment of all of the liabilities of the corporation, your remaining assets shall be distributed to such organization or organizations as the board of directors shall determine.

You conduct a training program of for who are members of Party. The program includes sessions covering

. You conducted your first training program in .

You charge $ in tuition for your training program. You may award partial financial aid to program participants. You select participants each year.

Your website contains a number of materials related to your training program. Your homepage states that "

."

You describe your curriculum as follows:

."

Your website states that you select students for your training program based on evidence of

. You declare that you do not discriminate on the basis of "

."

Your 2010 Program Application contains a " " section which asks the potential trainee, " ?" and, " ?" If an applicant did not , is then asked to explain why.

Your 2010 Program Application also contains a " ," which requires the applicant to affirm the following: "

."

Your " " page says you are the:

On your "About Us" page you state:

Your website describes you as part of a

. You note your program's success by stating that the to which you belong has trained over

LAW

Section 501(a) of the Code exempts from federal income tax organizations described in section 501(c)(4).

Section 501(c)(4)(A) of the Code describes civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare. Section 501(c)(4)(B) indicates that subparagraph (A) shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

Section 1.501(c)(4)-1(a)(1) of the Income Tax Regulations ("regulations") states that to be described in section 501(c)(4) of the Code, an organization must not be organized or operated for profit and must be operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2) of the regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Additionally, it states that an organization described within this section is operated primarily for the purpose of bringing about civic betterments and social improvements.

Rev. Rul. 73-306, 1973-2 C.B. 179, provides that an organization formed for the purpose of promoting the common interest of tenants who reside in a particular apartment complex does not qualify for exemption under section 501(c)(4) of the Code. Any person regularly living in the complex was eligible for membership. The organization represented its member-tenants in negotiations with the management of the complex in order to secure better maintenance and services, as well as reasonable rentals. The ruling holds that the organization was not described in section 501(c)(4) because it operated essentially to benefit its members and, thus, was not primarily engaged in activities that promote the common good and general welfare of the community. In contrast, Rev. Rul. 80-206, 1980-2 C.B. 185, holds that an organization formed to promote the legal rights of all tenants in a community, instead of limiting its benefits to member-tenants, does qualify for exemption under section 501(c)(4) of the Code.

Rev. Rul. 73-349, 1973-2 C.B. 179, holds that an organization formed to purchase groceries for its members at the lowest possible prices on a cooperative basis is not exempt under section 501(c)(4) of the Code. Rather, the organization was a cooperative enterprise operated primarily for the private economic benefit or convenience of its members, and provided only incidental benefit to the community.

Rev. Rul. 75-286, 1975-2 C.B. 210, describes an organization that was formed by the residents of a city block to preserve and beautify that block, to improve all public facilities within the block, and to prevent physical deterioration of the block. Its activities consisted of paying the city

government to plant trees on public property within the block, organizing residents to pick up litter and refuse in the public streets and on public sidewalks within the block, and encouraging residents to take an active part in beautifying the block by placing shrubbery in public areas. Much of the public area improved by the organization was part of the public roadway lying between the sidewalk and the street in front of private property owned by members of the organization. Membership in the organization was restricted to residents of the block and those owning property or operating businesses there.

Because the activities enhanced the value of the members' property rights, the organization served the private interests of its members and did not qualify for exemption under section 501(c)(3). The restricted nature of its membership and limited area in which improvements were made were further indicators of private benefit. However, by beautifying and preserving public property in cooperation with the local government, the organization was considered to primarily promote the general welfare of the community even though its activities also benefited its members. Therefore, the organization did qualify under section 501(c)(4).

In Erie Endowment v. United States, 316 F.2d 151 (3d Cir. 1963), the court held that to qualify for exemption within the meaning of section 501(c)(4) of the Code, "the organization must be a community movement designed to accomplish community ends." Id. at 156.

In Commissioner v. Lake Forest, Inc., 305 F.2d 814 (4th Cir. 1962), a corporation was organized by World War II veterans for the purpose of purchasing a government housing project and converting it to cooperative, nonprofit housing for its members. Individuals became members in the corporation by purchasing an apartment unit and, as such, the number of members was limited to the number of units available. The court held that the organization was not described in section 501(c)(4) of the Code because it was "a public-spirited but privately-devoted endeavor" that provided only incidental benefit to the community. Id. at 818. The organization did not promote social welfare because it furnished housing only to a certain group of individuals, rather than on a community basis, and did not offer a service or program for the direct betterment or improvement of the community as a whole.

In New York State Association of Real Estate Boards Group Insurance Fund v. Commissioner, 54 T.C. 1325 (1970), an association organized by a small group interested in obtaining group insurance did not qualify for exemption because it offered its benefits to only a limited class of its members and their employees. The court noted "[t]here is not in such an organization the requisite civic concern to constitute social welfare" required for qualification under section 501(c)(4). Where the primary benefit from an organization is limited to that organization's members, and not provided to the community as a whole, the organization is not operated primarily for the social welfare.

In Contracting Plumbers Cooperative Restoration Corp. v. United States, 488 F.2d 684 (2d Cir. 1973), cert. denied, 419 U.S. 827 (1974), plumbers working in New York City were responsible for the cuts they made in the city streets. Prior to the organization's existence, the city had repaired the cuts and billed the plumbers individually in what proved to be a highly inefficient system. The organization was formed in order to restore the city streets. It only repaired cuts made by its members. The joint effort of the plumbers reduced their liability and their expenses, and more efficiently repaired the city streets. While the court found that the program provided substantial benefits to the public, it concluded that the organization primarily served the private economic interests of its members and, thus, could not be considered exempt under section

501(c)(4) of the Code.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), the organization's primary activity was to operate a school ("the Academy") training individuals for careers as political campaign professionals. The organization represented on its application for exemption that the Academy was an outgrowth of programs operated by the National Republican Congressional Committee ("NRCC") that were designed to train candidates and to train and subsequently place campaign professionals in Republican campaigns. In addition, the NRCC contributed physical assets to the Academy, two of the Academy's six full-time faculty members had been previously involved in the NRCC's training program, one of the Academy's three initial directors was the Executive Director of the NRCC at the time, and another initial director was a member of the Republican National Committee at the time. The Academy's activities were exclusively funded by the National Republican Congressional Trust. The Academy's curriculum included discussions concerning "How some Republicans have won Black votes," "NRCC/RNC/NRSC/State Party naughtiness," and "Use of GOP allies," without a counterbalance of comparable studies of other political parties.

While applicants to the Academy were not required to formally declare their political affiliation to attend the organization's school, the admission panel could deduce such affiliation from the campaign experiences and political references in the applications. The court found that this knowledge of an applicant's political affiliations allowed the admission panel to limit enrollment to applicants who were likely to subsequently work in Republican organizations and campaigns. Indeed, the court found that no graduate was known to affiliate with any political party other than the Republican Party. A substantial number of the members of the Academy's admission panel were affiliated with the Republican Party.

The Service determined that the organization operated for a substantial, non-exempt private purpose. The Tax Court agreed, holding the organization did not operate exclusively for exempt, educational purposes under section 501(c)(3) of the Code because it conducted its activities to benefit the private interests of Republican entities and candidates. Although these entities and candidates were not organization "insiders," the court stated that the conferral of nonincidental benefits on disinterested persons may cause an organization to serve a private interest. While the school had a legitimate educational program, it conducted these activities with the partisan objective of benefiting Republican candidates and entities. As such, a more than incidental private benefit was conferred on Republican entities and candidates who employed the Academy's students, one that precluded exemption under section 501(c)(3).

ANALYSIS

Based on the information you submitted with your application and review of your website, we find that you are not operated exclusively for the promotion of social welfare within the meaning of section 501(c)(4) of the Code because your activities primarily serve private interests. Therefore, you do not qualify for exemption from federal income tax as an organization described in section 501(c)(4).

Your activities do not primarily promote social welfare because you primarily benefit private individuals and interests.

An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Section 1.501(c)(4)-1(a)(2)(i) of the regulations. An organization recognized under section 501(c)(4) is operated primarily for the purpose of bringing about civic betterments and social improvements. Id.

To qualify for exemption under section 501(c)(4), an organization must primarily benefit the community as a whole, rather than select individuals or groups. See Contracting Plumbers Coop. Restoration Corp., supra; New York State Ass'n of Real estate Boards Group Ins. Fund, supra; Lake Forest, Inc., supra; Rev. Rul. 75-286, supra. A section 501(c)(4) organization must be "a community movement designed to accomplish community ends." Erie Endowment, supra. As such, a tenants' organization that benefits all the tenants in the community qualifies for exemption, while one that directs its activities toward benefiting only its member-tenants does not. Compare Rev. Rul. 80-206, supra, with Rev. Rul. 73-306, supra; see also Rev. Rul. 73-349, supra. Therefore, conferring a sufficient amount of private benefit on select individuals will preclude exemption under section 501(c)(4) for an organization that would otherwise qualify. Even if an organization substantially benefits the community, it will fail to qualify for exemption if it primarily benefits private interests. See Contracting Plumbers, supra.

Educational activities undertaken to provide a partisan benefit are considered to serve private interests, rather than the common good. In American Campaign Academy, supra, the court denied exemption under section 501(c)(3) to a school organized to train individuals for careers as political campaign professionals because its educational activities were operated with the partisan purpose of benefiting Republican Party entities and candidates. The private benefit conferred on these persons was more than incidental, and thus demonstrated a substantial non-exempt purpose that precluded exemption. While you are requesting recognition as an organization described in section 501(c)(4) and not section 501(c)(3) (as was American Campaign Academy), the standard for determining what constitutes private benefit described in American Campaign Academy applies to both sections. Sections 501(c)(3) and 501(c)(4)(B) of the Code. For purposes of both section 501(c)(3) and section 501(c)(4), an organization which conducts its educational activities to benefit a political party and its candidates serves private interests. And, as discussed above, an organization that primarily serves private interests fails to qualify for exemption under section 501(c)(4).

Thus, notwithstanding any benefit your educational activities may provide to individual students and the community, you fail to qualify for exemption because your training program primarily benefits the interests of the Party and its candidates. According to your Articles, Bylaws, and website, your primary activity is to . Although you declare that you do not discriminate on the basis of "age, race, color, national or ethnic origin, marital status, religious affiliation, sexual orientation or physical abilities" you openly select students on the basis of partisan political affiliation. Your program application asks prospective students to disclose specific details of their political participation as a member of Party, and clearly discloses that you limit your membership to registered members of the Party . Your application asks candidates to affirm that they will use their increased skills to advance Party and the interests of Party. Like the school in American Campaign Academy, you provide education solely to individuals affiliated with a certain political party who want to enter politics. Your stated purpose is to advance opportunities for Party and the interests of the Party in general. Indeed, you measure your success, and that of your affiliates in other states, by the number of your

graduates who have won elective office representing the Party.

Because your primary activity is an educational program that is limited to who are members of Party and is conducted with the partisan objective of increasing the number of Party's elected officials, you primarily serve private interests. Therefore, the operation of your program does not promote social welfare within the meaning of section 501(c)(4) of the Code.

CONCLUSION

In summary, you are not operated primarily to promote social welfare because your activities are conducted primarily for the benefit of a political party and a private group of individuals, rather than the community as a whole. Accordingly, you do not qualify for exemption as an organization described in section 501(c)(4) of the Code and you must file federal income tax returns.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination.

Your protest statement should be accompanied by the following declaration:

> *Under penalties of perjury, I declare that I have examined this protest statement, including accompanying documents, and, to the best of my knowledge and belief, the statement contains all the relevant facts, and such facts are true, correct, and complete.*

You also have a right to request a conference to discuss your protest. This request should be made when you file your protest statement. An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you. If you want representation during the conference procedures, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative,* if you have not already done so. For more information about representation, see Publication 947, *Practice before the IRS and Power of Attorney.* All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848 and any supporting documents to this address:

Internal Revenue Service
TE/GE (SE:T:EO:RA)

1111 Constitution Ave, N.W.
Washington, DC 20224

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Lois G. Lerner
Director
Exempt Organizations

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **201214035**
Release Date: 4/6/2012

Date: January 11, 2012

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

Tax Years:

UIL: 501.04-00; 501.04-03

Dear :

This is our final determination that you do not qualify for exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(4). Recently, we sent you a letter in response to your application that proposed an adverse determination. The letter explained the facts, law and rationale, and gave you 30 days to file a protest. Since we did not receive a protest within the requisite 30 days, the proposed adverse determination is now final.

You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose,* and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, you should follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at

1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: November 10, 2011

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

LEGEND:

B = Board Member
M = Political Candidate
N = Political Party in P
O = State where Organization is Incorporated
P = Nation where M is a Candidate
Q = Date Form 1024 received by IRS
R = Date of Organization's Incorporation
S = Election Date
T = Autobiography of M
U = Book about M
V = Book on M's Policies
W = Book Promoting P's Patriotism
X = Applicant's Website
Y = Location of Applicant's Related Group
Z = Location of Applicant's Related Group

UIL:

501.04-00
501.04-03

Dear :

We have considered your application for recognition of exemption from federal income tax under Internal Revenue Code section 501(a). Based on the information provided, we have concluded that you do not qualify for exemption under Code section 501(c)(4). The basis for our conclusion is set forth below.

Issues

- Do you qualify for exemption under section 501(c)(4) of the Code?

No, for the reasons set forth below.

Facts

The Form 1024, Application for Recognition for Exemption Under Section 501(a) of the Internal Revenue Code was received on date Q. With the Form 1024, you are applying for tax exempt status under IRC Section 501(c)(4). You were incorporated under the laws of the state of O on date R.

Your Certificate of Incorporation states that your purpose is, "To create, form, and establish an organization to disseminate information regarding national elections to [citizens of P] residing in the United States; to promote, foster, and advance their voting rights in P by providing access to information concerning political topics of interest to [citizens of P] residing in the United States; to research economic and social policies which may affect the [citizens of P] population in the United States; to survey and study the [citizens of P] population in the United States regarding their opinions on issues relevant to the [citizens of P] community; to provide information on all matters of political concern to the [citizens of P] population; to provide information regarding the availability of P governmental and social services in the U.S.; to provide an avenue of information between [citizens of P] residing in the United States and their homeland."

Your board of directors is comprised of three unrelated individuals, who do not receive compensation.

Your website, **X**, states that you were formed to support M, former Chairman of the N, which is a political party in P. The percentage of time that will be directed toward providing any kind of support to M is 80%. You will support M's policies and make the public aware of M's policies and ideas. You indicated through your website that you will do your best to support and patriotically advise M in the upcoming presidential election. You believe that increasing the interest and voting rates of the citizens of P in the U.S. will lead to the development of P's (green card holders, citizens, and following generations) rights, interests, and pride for their mother land. For this purpose, you believe that M is the most reliable and suitable politician, and you will devote your efforts to form a pro-M public opinion and help elect M in the coming presidential election.

You will support M's policies and make the public aware of M's policies and ideas by having a website which updates all M related information, such as personal information, policies and plans, media articles, etc. in real time. You will introduce and distribute M related books. These related books include T, an autobiography of M, U , V and W, which present favorable views of M's policies. You purchase these books from various companies and publishers. T and U are given away for free to promote a better understanding of M. V highlights M through the great achievements, patriotism, and philosophy of M's father. W is given away for free to promote patriotism among the citizens of P living in the United States. You will solicit concerns about the conditions in P from student citizens of P through seminars. You will then deliver their desires and opinions to M. You also plan to provide rides to the voting center for voters on S, and will remain

neutral without supporting a specific candidate or political party while providing transportation. You stated that your goal is to turn out a high rate of voters by having advertisements in periodicals and through book purchases, which will help develop the interests of P's citizens in the U.S.

Your revenue will come from individual and group donations and gross dues and assessments of members. Your budgets indicate that your annual revenues range from less than $9,000 in 2010 to approximately $30,000 expected in 2012. Your expenditures included the $850 user fee paid for the processing of your Form 1024 application. Most of your expenses will be for publicity through advertising in periodicals and for book purchases.

Law

Section 501(c)(4) of the Code provides for the exemption from federal income tax of organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organizations is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

Section 1.501(c)(4)-1(a)(2)(ii) of the regulations provides that the promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office.

In Rev. Rul. 67-293, 1967-2 C.B. 185, an organization already exempt under section 501(c)(4) of the Code, and substantially engaged in promoting legislation to protect or otherwise benefit animals, is not exempt from federal income tax under section 501(c)(3) of the Code, even though the legislation it advocates may be beneficial to the community, and even though most of the attempts to influence legislation may be indirect. The organization has not, however, participated or intervened in any political campaigns on behalf of or in opposition to any candidate for public office, and therefore, it remains exempt under section 501(c)(4) of the Code.

In Rev. Rul. 67-368, 1967-2 C.B. 194, the Service held that an organization, formed for the purpose of promoting an enlightened electorate, whose primary activity was rating candidates for public office, was not exempt under IRC 501(c)(4) because such activity is not "the promotion of social welfare." The ruling stated that comparative rating of candidates, even though on a non-partisan basis, is participation or intervention on behalf of candidates favorably rated and in opposition to those less favorably rated.

In Rev. Rul. 81-95, 1981-1 C.B. 332, the Service considered the effect of engaging in political campaign activities on an IRC 501(c)(4) organization. The organization was primarily engaged in activities designed to promote social welfare. In addition, it conducted activities involving participation and intervention in political campaigns on behalf of or in opposition to candidates for nomination or election to public office. The ruling concluded that since the organization's primary activities promoted social welfare, its lawful participation or intervention in political campaigns on behalf of or in opposition to candidates for public office would not adversely affect its exempt status under IRC 501(c)(4). However, the organization was subject to the tax imposed by IRC 527 on

expenditures for political activities as defined in IRC 527(e)(2), pursuant to IRC 527(f)(1).

Rev. Rul. 2004-6, 2004-4 I.R.B. 328, presents several scenarios involving 501(c)(4) organizations in which the [(c)(4)] organization engages in activities related to encouraging and supporting a particular public policy outcome or decision by associating the desired policy outcome with a specific elected official or candidate for public office. The individual scenarios are then differentiated in terms of whether the activities qualify for tax exemption. The Revenue Ruling held that expenditures by a 501(c)(4) organization were subject to tax under section 527(b)(1) of the Code when the actions of the organization do not identify and are not timed to coincide with a specific event or decision outside the control of the organization that it hopes to influence. Rather, expenditures and actions of the organization support or encourage the election of the specific public official or candidate in order to accomplish its public policy goal.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), a school that trained individuals as campaign managers was denied exemption under IRC 501(c)(3) because it operated for the substantial nonexempt purpose of benefiting the private interests of Republican Party entities and candidates. Although the school had a legitimate educational program, the Tax Court held that it conducted its educational activities with the partisan objective of benefiting Republican interests. The court noted that the school's partisan purpose distinguished its activities from the educational organization in Rev. Rul. 76-456, supra.

Application of Law

You fail to meet the requirements of Section 501(c)(4) of the Code because you are not operated exclusively for the promotion of social welfare. The percentage of your time that will be devoted toward supporting M's political interests is 80%. Your activities are primarily political in nature in that you influence citizens of P to vote for M by distributing the books U, V, and W, supporting M's policies and making the public aware of M's policies and ideas by maintaining a website, which updates all M related information, such as personal information, M's policies and plans, media articles, etc. in real time.

You are not an organization described under 1.501(c)(4)-1(a)(2)(i) – (ii) of the regulations because you are not operating exclusively for the promotion of social welfare because you are not primarily engaged in promoting the common good and general welfare of the people of the community. Instead, you are engaged primarily in influencing or attempting to influence the selection, election, or appointment of M in P's upcoming presidential election. As noted above, 80% of your activities will be devoted to providing support to the political candidate, M. A document taken from your website and submitted with your response states that you are "organized throughout the United States to inspire our [P-Americans] (excluding US citizens) to exercise their rights to vote during P's elections, and especially to vote for the right leaders who will further develop our home country." The document further states, "Because the image of the association and chapter is closely related to and seriously influences that of candidate M, this association will endeavor to enhance and protect the image of the association." You also stated that you want to influence all citizens of P eligible to vote in P (those with green cards and/or visiting visas) that are in the U.S., and [P-American] leaders who are interested in the expansion of rights and interests for the next generation, but not voters located in P.

You are unlike the organization in Rev. Rul. 67-293 because you do participate and intervene in political campaigns on behalf of a candidate for public office, and therefore, are not exempt under section 501(c)(4) of the Code.

You are similar to the organization described in Rev. Rul. 67-368 because you are participating or intervening on behalf of M. A statement on your website, that has been shared with you in our correspondence, states that you were, "formed and [are] officially active in supporting M, former Chairman of N." Your website also states that, "the association will be in close ties with M, play an important role in connecting with the P-American Society, and support M in the upcoming presidential election." Your website further quotes your board member, B, who said, "This association is a nationwide association, expanding from pre-existing groups in O, Y, and Z who support M, and will do its best to support and patriotically advise M for M's victory in the upcoming presidential election." Finally, to reiterate, you also indicated in your most recent response that 80% of your time will be devoted to supporting M as a political candidate.

You are unlike the organization in Rev. Rul. 81-95 because your activities are primarily engaged in campaigning for M. Your website updates all M related information, such as personal information, M's policies and plans, media articles, etc. in real time. You will introduce M related books such as M's autobiography, T, as well as U, V and W, which present favorable views of M and M's policies. You also boost concerns about the conditions of P among P's citizens through seminars, and then report their desires and opinions to M.

Your activities in support of the policies and election of M are similar to activities of the organizations described in Rev. Rul. 2004-6 that are subject to tax because these activities and expenditures support or encourage the election of a specific public official or candidate in order to accomplish public policy goals.

You are similar to the organization described in American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), in that you conducted your activities with the partisan objective of benefiting M's interests. You stated that the purpose of advertising in periodicals and the book purchases is to attract citizens of P's attention to the politics in P and to create a high turnout of voters, thus supporting homeland prosperity and advanced politics through M, and to further the development of rights and interests of citizens of P in the U.S. for the next generation. You will promote M's political campaign by providing information of M's economic and political views and by providing information to the public of M's background and character. As stated earlier, your website updates all M related information including personal information, policies and plans, media articles, etc. in real time. Although this court case is about an organization being denied under 501(c)(3) because it operated for the substantial nonexempt purpose of benefiting the private interests of Republican party entities and candidates, the same concept would apply for a section 501(c)(4) organization because promoting a political candidate also does not serve social welfare purposes as described under section 501(c)(4) of the Code.

Applicant's Position

You state that your primary activity is involved in promoting M's political campaign. You believe that

increasing the interest and voting rates of citizens of P in the U.S. will lead to the development of the rights, interests, and pride for the mother land among these individuals (green card holders, citizens, and following generations). For this purpose, M is the most reliable and suitable politician. You will devote your efforts to form a pro-M public opinion and help elect M in the coming presidential election. You want to influence all citizens of P who are in the U.S. (those with green cards and/or visiting visas) to vote, and to influence [P-American] leaders who are interested in the expansion of rights and interests for the next generation, not just the voters in P. You plan to provide rides to the voting center for voters on S, the election date, while remaining neutral and without supporting a specific candidate or political party while providing transportation. Your goal is to create a high turnout of voters, which will support homeland prosperity and advanced politics through M, and further the development of rights and interests of citizens of P in the U.S. for the next generation.

Service Response to Applicant's Position

Your stated primary activity, promoting an individual's political campaign is not a qualifying tax-exempt purpose under IRC section 501(c)(4). Political educational organizations must conduct their activities in a non-partisan manner. Your activities are not conducted in a non-partisan manner because they serve primarily to support M's political presidential campaign. Therefore, you do not have a social welfare purpose consistent with section 501(c)(4) of the Code.

Conclusion

You do not qualify for exemption under section 501(c)(4), or any other section of the Code, because you primarily support M in the contest for the presidential election in P by influencing voters in the United States who are eligible to vote.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter.

We will consider your statement and decide if that information affects our determination. If your statement does not provide a basis to reconsider our determination, we will forward your case to our Appeals Office. You can find more information about the role of the Appeals Office in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues.*

Types of information that should be included in your appeal can be found on page 2 of Publication 892, under the heading "Regional Office Appeal". The statement of facts (item 4) must be declared true under penalties of perjury. This may be done by adding to the appeal the following signed declaration:

"Under penalties of perjury, I declare that I have examined the statement of facts presented in this appeal and in any accompanying schedules and statements and, to the best of my knowledge and belief, they are true, correct, and complete."

Your appeal will be considered incomplete without this statement.

If an organization's representative submits the appeal, a substitute declaration must be included stating that the representative prepared the appeal and accompanying documents; and whether the representative knows personally that the statements of facts contained in the appeal and accompanying documents are true and correct.

An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you during the appeal process. To be represented during the appeal process, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative,* if you have not already done so. For more information about representation, see Publication 947, *Practice Before the IRS and Power of Attorney.* All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.
If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter to you. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848 and any supporting documents to the applicable address:

Mail to:

Internal Revenue Service
EO Determinations Quality Assurance
Room 7-008
P.O. Box 2508
Cincinnati, OH 45201

Deliver to:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations

Enclosure, Publication 892

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **201224034**
Release Date: 6/15/2012

Date: March 21, 2012

Contact Person:
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Identification Number:
****
Contact Number:
****
Employer Identification Number:
****
Form Required To Be Filed:
****
Tax Years:
****

UIL: 501.04-00
501.30-00
501.33-00

Dear :

This is our final determination that you do not qualify for exemption from Federal income tax as an organization described in Internal Revenue Code § 501(c)(4). Recently, we sent you a letter in response to your application that proposed an adverse determination. The letter explained the facts, law and rationale, and gave you 30 days to file a protest. Since we did not receive a protest within the requisite 30 days, the proposed adverse determination is now final.

You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under § 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose,* and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at

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1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: February 15, 2012

501.04-00
501.30-00
501.33-00

Contact Person:
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Identification Number:
****
Contact Number:
****
FAX Number:
****
Employer Identification Number:
****

Legend:

State	=	**********
Founder	=	**********
Schools	=	**********
Office	=	**********
County	=	**********
Program 1	=	**********
Program 2	=	**********
Program 3	=	**********
Program 4	=	**********
Program 5	=	**********
Program 6	=	**********
Program 7	=	**********

Dear :

We have considered your application for recognition of exemption from Federal income tax under Internal Revenue Code § 501(a). Based on the information provided, we have concluded that you do not qualify for exemption under § 501(c)(4). The basis for our conclusion is set forth below.

Facts:

You were incorporated under the laws of State. You transitioned from a series of for-profit successors with the following purposes:

- Promoting political change through articles, columns, books, and other media Founder was planning to create.
- Producing and selling prepared foods to consumers.
- Promoting solutions to the state's challenging problems through grassroots advocacy and publicity.

Your latest Articles of Incorporation provide that you are organized to promote solutions to

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State's challenging problems through grassroots advocacy and publicity. Your Articles also state that you will have a board of directors with one member and that member will be Founder. Founder is also your president. Upon dissolution, your remaining assets shall be distributed for one or more exempt purposes within the meaning of § 501(c)(3) or § 501(c)(4) of the Code.

Your Bylaws provide that you shall have one director and that person alone shall be known as the Board of Directors. Your Bylaws further provide that directors shall not be compensated for their duties as directors. Salaries of your officers shall be fixed by resolution of your board of directors. Founder is also your treasurer and secretary. You stated that as you grow, you will add an appropriate oversight mechanism but in your current state, you find this unnecessary. Your Bylaws contain a Conflict of Interest and Compensation Approval Policies. However, as Founder is your only director and officer, these Policies are immaterial.

You state that you are a citizen's advocacy group focused on solving some of the critical problems facing the citizens of State. At the time of application, you were engaged in the following activities:

- Program 1: this program allowed citizens to learn about and commit to specific action to save the marine environment through a website program. This program attempts to motivate citizens to substantially reduce the amount they pollute. Individuals who visit the website are presented with a list of actions they can take to reduce the amount they pollute, and then are asked to commit to taking specific actions. The website calculates how many pounds of pollution would not reach the marine environment as the result of each step taken. You worked with other organizations to develop the predictor model on the website.

- Program 2: this program attempted to help protect citizens from inappropriate law enforcement raids. You worked with public officials to pass legislation requiring jurisdictions using law enforcement tactical teams to report periodically on the number of tactical deployments and outcomes. State's governor signed the legislation into law.

- Program 3: this program allowed you to work with the leadership of Schools to design and implement a system where organizations can partner with schools to provide improved education opportunities to students. Founder worked with the Office to develop a program where individuals, businesses, and churches could partner with a specific school to provide additional educational opportunities to students or resources to the school.

At the time of application, you anticipated that your activities would change to the following:

- Program 1

- Program 4: this program would allow you to work with representatives of State's governor's office to implement one or more pilot programs showing how state agencies can restructure their systems to cut costs while providing better customer service.

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- Program 5: this program would allow you to work with local business organizations to create programs to help entrepreneurial companies start and expand in State, creating high-quality jobs.

You state that for most of the time from submission of your application you were on hiatus while Founder, ran for elective office. After losing the election, Founder's attention turned back to your operations. You are currently focusing on the following:

- Program 1: you are working with residents in a few of the most critical communities to determine the cost structure and other criteria necessary to build community support to invest in sewer systems.

- Program 6: Founder was just elected chair of County's state-mandated organization whose mission is to represent the interests of parents and citizens to County's board of education. Founder's chairmanship started by fielding a comprehensive survey to determine residents' biggest concerns. You will participate in this research and report the results so the organization can use the results to choose a number of issues to research further and help solve.

- Program 7: you have almost completed a research project which will report how ambulance response rates in County compare with the national standard. You plan to report the results of this research mid-2011 and set up a task force of several high-level fire department personnel as well as representatives from two major hospitals in County. The task force will determine how to get ambulances back on the street more quickly.

Your website contains a description of all of your programs. Your website also contains a blog written and maintained by Founder. The blog started around the time of your incorporation and most recent amended Articles of Incorporation. Most blog posts center around current or pending legislation, as well as the agendas of elected political officials. Of the 17 blog posts, five of these criticize Founder's former opponent in a race for elected office. These critical blog posts occurred both before and after the election.

The blog page on your website contains links to Founder's campaign website.

You have been primarily funded through donations from Founder. You hope to recruit additional sources of support in the future. In the year that you were incorporated, income was generated from Founder's donations and Program 2. Expenses for that year primarily included those for disbursements to Program 2, software, personal property taxes, and your website. For the following tax year, you only incurred expenses for bank fees, depreciation, and merchant account fees.

At the time of application, you indicated you may spend money attempting to influence the selection, nomination, election, or appointment of individuals to public office or office in a political organization. Upon further development, you indicated you have not spent any money

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doing so, nor do you ever intend to do so. Your webpage that seeks donations from individuals states that because donations are "used for lobbying and promoting political change, it is not tax-deductible under U.S. law."

You stated that because Founder is a political figure who ran for elective office in 2004 and 2010, you wish to seek exemption as a § 501(c)(4) organization to avoid the appearance of any impropriety.

Law:

Section 501(a) exempts from federal income tax organizations described in § 501(c)(4).

Section 501(c)(4)(A) describes civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare. Section 501(c)(4)(B) indicates that subparagraph (A) shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

Section 1.501(c)(4)-1(a)(1) of the Income Tax Regulations ("regulations") states that an organization may be exempt as an organization described in § 501(c)(4) if it is not organized or operated for profit and is operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community, such as bringing about civic betterments and social improvements.

Section 1.501(c)(4)-1(a)(2)(ii) provides that the promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes. The Court found that a trade association had an "underlying commercial motive" that distinguished its educational program from that carried out by a university, and therefore, the association did not qualify for exemption.

In Commissioner v. Lake Forest, Inc., 305 F.2d 814 (4th Cir. 1962), a corporation was organized for the purpose of purchasing a government housing project and converting it to cooperative, nonprofit housing for its members. Individuals became members in the corporation by purchasing an apartment unit. The court held that the organization was not described in

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§ 501(c)(4) because it was "a public-spirited but privately-devoted endeavor" with only incidental benefit to the community. Id. at 814. Although anyone was eligible to join the organization, the court determined that it provided benefits only to its members and not the community as a whole.

In Erie Endowment v. United States, 316 F.2d 151, 156 (3d Cir. 1963), the court held that to qualify for exemption within the meaning of § 501(c)(4), "the organization must be a community movement designed to accomplish community ends."

In Contracting Plumbers Cooperative Restoration Corp. v. United States, 488 F.2d 684 (2d Cir. 1973), the court ruled that an organization benefitting only its members did not meet the requirements of § 501(c)(4) because the benefits flowed directly to members of the organization. The court followed "the rule that the presence of a single substantial non-exempt purpose precludes exempt status regardless of the number or importance of the exempt purposes." Id. at 686. The organization's primary activity benefited its members rather than the public, and therefore it was not "'primarily' devoted to the common good as required by even the most liberal reading of 501(c)(4)." Id. at 687.

Rev. Rul. 74-361, 1974-2 C.B. 159, held that an organization that was organized as a nonprofit volunteer fire company to provide fire protection and ambulance services for a community could be held as exempt from Federal income tax as a social welfare organization described in § 501(c)(4) because its activities promote the common good and general welfare of the community.

Rev. Rul. 68-45, 1968-1 C.B. 259, held that a war veterans' post which was primarily engaged in social welfare activities could qualify for exemption from Federal income tax under § 501(c)(4) even though a substantial portion of its revenue came from bingo games open to the general public.

Rev. Rul. 81-95, 1981-1 C.B. 332, held that an organization primarily engaged in the promotion of social welfare within the meaning of § 501(c)(4) may participate in lawful political campaign activities involving the nomination or election of public officials without adversely affecting its exempt status.

Analysis:

Based on our analysis of the information you submitted with your application and in subsequent correspondence, we have determined that you are not operated primarily for the promotion of social welfare within the meaning of § 501(c)(4), and therefore do not qualify as an organization described in § 501(c)(4).

To be described in § 501(c)(4), an organization must be operated exclusively for the promotion of social welfare. An organization will be operated exclusively for the promotion of social welfare, and therefore exempt, if it is primarily engaged in promoting the common good and

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general welfare of the community. See § 1.501(c)(4)-1(a)(2)(i). Exempt purposes include bringing about civic betterments and social improvements. See § 1.501(c)(4)-1(a)(2)(i).

Whether an organization is "primarily engaged" in promoting social welfare is a facts and circumstances determination. Relevant factors include the manner in which the organization's activities are conducted; resources used in conducting such activities, such as buildings and equipment; the time devoted to activities (by volunteers as well as employees); the purposes furthered by various activities; and the amount of funds received from and devoted to particular activities. See e.g., Rev. Rul. 74-361, supra (volunteer fire company that provides recreational facilities for members is primarily engaged in promoting social welfare where providing facilities primarily furthers exempt purposes); Rev. Rul. 68-45, supra (organization's principal source of income is not sole factor in determining whether it is "primarily engaged" in promoting social welfare).

Based on Contracting Plumbers Cooperative Restoration Corp., an organization will not meet the requirements of § 501(c)(4) if it is operated primarily to benefit a private group rather than the community as a whole, even if it provides some benefit to the community. 488 F.2d at 687. Your activities serve to primarily benefit Founder. You solely serve to promote Founder and Founder's agenda and platforms. As provided in your Articles and Bylaws, Founder is the only member and officer on your Board of Directors. There is no community input or oversight, or independent members of the community on your Board of Directors. This is demonstrated from the fact that while Founder sought elected office your operations seized until the election was over. Furthermore, the selection, operation, and oversight of your programs and activities are made at the sole discretion of Founder, and are solely funded by Founder.

Founder also plans to use you to conduct activities in connection with Founder's election as the chair of County's state-mandated organization. The holding of Erie Endowment, requires that a § 501(c)(4) organization be a community movement designed to accomplish community ends. 316 F.2d at 156. Your programs, however, are designed strictly to promote Founder and that individual's pursuits.

Additionally, you have not established that your primary activity is not to engage in direct or indirect political intervention. The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. § 1.501(c)(4)-1(a)(2)(ii). In Rev. Rul. 81-95, supra, we concluded that "an organization may carry on lawful political activities and remain exempt under section 501(c)(4) . . . as long as it is primarily engaged in activities that promote social welfare." The corollary to this is that if an organization's primary activities do not promote social welfare but are direct or indirect political intervention, the organization is not exempt under § 501(c)(4). The key is to determine the character of the organization's primary activities by looking at all of the facts and circumstances. Founder used you to prepare studies that coincide with Founder's political interests, to lobby for things that Founder believes in, and to follow political opponents through the blog on your website. Your website contains a blog written and maintained by Founder that criticizes Founder's former opponent in a race for elected office. The blog also contains information on the political agendas of elected political officials. There are no procedures in place to bar using the website as platform development

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Conclusion:

You have not established that you meet the requirements of § 501(c)(4) because you are not operated exclusively for the promotion of social welfare. Your primary activities do not serve the general welfare of the people or the community as required by § 1.501(c)(4)-1(a)(2).

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination.

Your protest statement should be accompanied by the following declaration:

> *Under penalties of perjury, I declare that I have examined this protest statement, including accompanying documents, and, to the best of my knowledge and belief, the statement contains all the relevant facts, and such facts are true, correct, and complete.*

You also have a right to request a conference to discuss your protest. This request should be made when you file your protest statement. An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you. If you want representation during the conference procedures, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative,* if you have not already done so. For more information about representation, see Publication 947, *Practice before the IRS and Power of Attorney.* All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848, and any supporting documents to this address:

Internal Revenue Service
TE/GE (**********)
****
1111 Constitution Ave, N.W.
Washington, DC 20224

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

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If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations