



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: [REDACTED]

Contact Person: [REDACTED]

Identification Number: [REDACTED]

Contact Number: [REDACTED]

Employer Identification Number: [REDACTED]

Legend:

A = [REDACTED]

B = [REDACTED]

E = [REDACTED]

F = [REDACTED]

G = [REDACTED]

H = [REDACTED]

I = [REDACTED]

J = [REDACTED]

M = [REDACTED]

O = [REDACTED]

X = [REDACTED]

Y = [REDACTED]

Z = [REDACTED]

x = [REDACTED]

y = [REDACTED]

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)(2). Based on the information submitted, we have concluded that you do not qualify for exemption under that section. The basis for our conclusion is set forth below.

You were incorporated under the Nonprofit Mutual Benefit Corporation Law of the State of X. Article V of your Articles of Incorporation (the Articles) provides your formation as a closely held irrevocable family legacy trust corporation organized as a mutual benefit corporation for purpose

[REDACTED]

of engaging in any lawful business activity described in section 501(c)(25)(A) and certain State X Code sections relating to the membership or beneficiaries of such trust. Article III of the Article authorizes you to have no more than 35 shareholder members, and to issue only one class of membership shares, with two shares issued to each shareholder member, with the total number of outstanding shares in the corporation not exceeding 35.

You have issued a total of [REDACTED] shares of stock at \$[REDACTED] par value. You issued [REDACTED] shares of stock to each of the following heirs of A & B: E, F, G, H, I and J. You indicate that all vested interests of the heirs to you are based on their bloodline ancestry to the decedent whose ancestors were land allotment recipients and enrolled members of the O tribes.

You hold rights and title interests in a 40-acre land located in Y in the State of Z, including crude oil, gas, petroleum, kindred substances and other minerals therein (the Property). You were adjudged with rights and interests in the Property pursuant to a court order in the M case. The Property has had a succession of lessees for exploration by several energy companies and you were adjudged successor of interests on several leasing agreements entered into by decedents to various energy company lessees. You estimated a total royalty not to exceed x dollars due as liability by the energy company lessees. So far, you have received royalty payment of y dollars from one lessee and other lessees have yet to settle their accounts.

You state that the Property, or your assets, were "received on assignments from the heirs" of the decedent. In the future, you plan to use such assets to undertake exploration and recovery of archeological significance to the preservation of cultural heritage in Z.

Section 501(c)(2) of the Code provides exemption to corporations organized for the exclusive purposes of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization exempt under section 501(a).

Rev. Rul. 58-566, 1958-2 C.B. 261, holds that a corporation will not be considered organized as a holding company within the meaning of section 501(c)(2) of the Code where it has broad powers and business purposes far beyond the scope necessary to a holding company.

Rev. Rul. 71-544, 1971-2 C.B. 227, describes a non-profit organization organized by a group of philanthropists to which they transferred income-producing stocks and securities. The stock of the title-holding corporation is owned by the group of philanthropists. The stock confers no rights on the shareholders to receive dividends or to participate in liquidating distributions. The organization holds title to stocks and securities and at the end of each year turns over its income, less expenses, to an organization exempt under section 501(c)(3) selected by its board of directors. The ruling held that the organization did not qualify for exemption under section 501(c)(2) of the Code because it is not owned or controlled by the exempt organization to which it turns over its income.

In our evaluation of the information you submitted, we find that your Articles of Incorporation contain purposes not limited to holding title to property, collecting income therefrom, and turning over the net income to a qualified shareholder. Further, your proposed activities are not so limited. Similar to the organization described in Rev. Rul. 58-566, *supra*, you are not exclusively organized

[REDACTED]

for exemption under section 501(c)(2) of the Code because you have broad purposes beyond the requirements of a holding company described in section 501(c)(2).

Moreover, an organization described in section 501(c)(2) of the Code should be owned by one exempt organization. Your case, however, indicates that your shares of stock are owned by owned by several individuals and not by a single exempt organization. Similar to the organization described in Rev. Rul. 71-544, you fail to meet the requirements for exemption under section 501(c)(2).

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(2) of the Code and you must file federal income tax returns.

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.

In the event this ruling becomes final, it will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose*. A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, and do not intend to protest our denial of exempt status, you should follow the instructions in Notice 437.

If you decide to protest this ruling, your protest statement should be sent to the address shown below. If you also disagree with our proposed deletions, you should send your comments on the deletions with your protest statement, and not to the address shown in Notice 437.

Internal Revenue Service
[REDACTED]

If you do not intend to protest this ruling, and if you agree with our proposed deletions as shown in the letter attached to Notice 437, you do not need to take any further action.

[REDACTED]

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

Sincerely,

[REDACTED]

Director, Exempt Organizations
Rulings & Agreements

Enclosure
Notice 437

Form 1937-A	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
CODE	SE:T:EO:RA:T:3	SE:T:EO:RA:T:3				
Surname	[REDACTED]	[REDACTED]				
Date	[REDACTED]	[REDACTED]				