

MAR 26 1982

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code of 1954.

The information submitted discloses that you were incorporated under the General Not For Profit Corporation Act of the State of [REDACTED]. Your purposes are "to function as a neighborhood church with an emphasis of relating to the whole man: body, mind, emotion, spirit. To foster growth and stability in the areas of self-esteem, interpersonal relationships, education, housing, business, health and recreation regardless of age, race, religion or national origin in the neighborhoods commonly known as [REDACTED]. To work with other churches and organizations (having common concerns for the neighborhoods cited above) regarding needs and concerns of the neighborhoods. To function as a church of Jesus Christ, following the principles and teachings laid down in the New Testament."

The members of your organization are [REDACTED] adults and several children. You are in the process of buying a [REDACTED]-unit building to house the members of your organization.

You make loans to members of your organization without written documentation or interest charged. In one case a loan was made to a member for law school.

All services are held in the homes of the members of your organization, who are also the creators.

You state that all the members of your organization are members of a local [REDACTED] Church.

The members of your organization are involved in the community through voluntary service at the local grade school, the local park advisory board and membership in the local block club.

The origin of your organization was the [REDACTED] who felt a need to service a low income neighborhood.

You state you have the following relationship with [REDACTED], "members of [REDACTED] work cooperatively with members

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	3/23/82	3/23/82	3-25-82	3/26/82	3/26/82		

of [REDACTED] on the following: (1) Sunday School; (2) Summer Vacation Bible School; (3) a Boy Scout Troop; (4) a Junior High Youth Group."

Section 501(c)(3) of the Internal Revenue Code provides, in part, for the exemption from Federal Income Tax of corporations, and any community chest, fund or foundation, organized and operated exclusively for religious purposes, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, and which does not participate in, or intervene in, any political campaign on behalf of any candidate for public office.

Section 1.501(c)(3)-1(a) of the Income Tax Regulations provides that in order to be exempt as an organization described in Section 501(c)(3), the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section. If an organization fails to meet either organizational or the operational test it is not exempt.

In *Vaugh v. Chapman and Mildred C. Chapman*, 40 T.C. 358 (1967), the Tax Court considered the definition of a church as it relates to section 170(b)(1)(A)(i) which allows deductions for contributions to a church. In constructing the phrase "church or convention or association of churches," the court decided that it was not the intent of Congress to give the word "church" in a universal or universal sense. The desire was to give the word a restricted meaning. A more limited concept was intended than that denoted by the term "religious organization." Although every church may be a religious organization, every religious organization is not a church. The concept of a church was intended to be synonymous with the term "denomination" or "sect" rather than to be used in any universal sense. The Tax Court went on to hold that an evangelical organization whose primary function was to spread the Gospel of Christianity throughout the world was not an organization which could be considered a "church" within the intent of Section 170(b)(1)(A)(i) of the Code. The court, in summarizing the facts, specified several reasons why the organization did not fit the definition of a church. It was interdenominational; it maintained neither a seminary nor bible school; its workers were drawn from many Christian churches and remained affiliated with these churches; and it sought converts to the principles of Christianity generally rather than to any specific sect or denomination.

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

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that "an organization will be regarded as 'operated exclusively' for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose."

Section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations provides that an organization is not organized and operated exclusively for exempt purposes unless it serves a public rather than a private interest. Thus, it is necessary for an organization seeking exemption under Section 501(c)(3) to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

On the basis of the information submitted we have concluded that you are neither organized nor operated exclusively for one or more exempt purposes as specified in section 501(c)(3) of the Code nor a church as specified in section 170(b)(1)(A)(i).

Your organization makes loans to members without any loan agreements or interest charged. One member of your organization is using the loan proceeds to attend law school.

The members of your organization will live together in an apartment building, your organization is planning to purchase.

The members of your organization are also members of a local [redacted] congregation. Your Sunday evening prayer meetings are held in the members' private residences.

Your involvement in the community is through individual involvement at the local school, park, etc.

Your organization has privately benefited its members but has not performed charitable works. Your members already belong to an organized church.

If you do not agree with these conclusions, you may within thirty days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

[REDACTED]

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

If you agree with this determination, please sign and return the enclosed Form 6018.

Please keep this determination letter in your permanent records.

Sincerely yours,

[REDACTED]
Acting District Director

Enclosures

Form 6018
Publication 892