

DEC 08 1980

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code.

The evidence submitted establishes that you were incorporated on [REDACTED], under the Non-Profit Corporation Act of [REDACTED]. Your purposes as stated in your Articles of Incorporation are:

1. To make, enter into, perform and carry out contracts of every kind and description with any person, firms, associations, corporations, or government agencies or instrumentalities thereof.
2. To from time to time advise, and consult, persons, firms, associations, corporations, or government agencies or instrumentalities thereof.
3. To perform research, make evaluations, prepare surveys, write descriptions, arrange meetings and perform such other activities for any person, firm, association, corporation, or government agency or instrumentality thereof.

You are a membership organization. Your members are Escort/Interpreters. In your application you state the specific purpose of your organization is to participate as a professional association in developing work standards and conditions for its members. You state your present and proposed activities will include:

1. Participation in the selection, training and assignment of its members, either under contract to agencies of the U.S. Government involved in the exchange visitor programs or to third parties requiring its services in promoting programs in the general field of international communication.

| CODE     | INITIATOR  | REVIEWER   | REVIEWER   | REVIEWER | REVIEWER | REVIEWER | REVIEWER |
|----------|------------|------------|------------|----------|----------|----------|----------|
|          | [REDACTED] | [REDACTED] | [REDACTED] |          |          |          |          |
| SUR-NAME | [REDACTED] | [REDACTED] | [REDACTED] |          |          |          |          |
| DATE     | 11-13-80   | 12-14-80   | 12-15-80   |          |          |          |          |



2. Establish a professional resources bank based on the systematic cataloging in a retrievable fashion of the professional appointments and experiences of its membership to be made available to its program partners, and to use this information to develop new or improved programs involving the international exchange of persons.
3. Develop professional training and career development opportunities for its members, and to promote the interests of its members in establishing adequate pay standards and scales.
4. Serve as a clearinghouse for professional opportunities for the membership.
5. Make available to the members group health, life and pension insurance programs.

Section 501(c)(3) of the Internal Revenue Code provides for the exemption of corporations, and any community chest, fund or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations states that in order for an organization to be exempt under section 501(c)(3) of the Code it must be organized and operated exclusively for one or more purposes specified in such section.

Section 1.501(c)(3)-1(b)(1) of the Regulations states that an organization is operated exclusively for the purposes set out in section 501(c)(3) of the Code only if substantially all of its activities are in furtherance of these purposes.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations states that an organization is not organized or operated for any purpose under section 501(c)(3) unless it serves a public rather than a private interest.

[REDACTED]

Thus to meet the requirements of this subparagraph, it is necessary for an organization 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. Moreover, even though an organization may have exempt purposes, it will not be considered as operating exclusively for such purposes if more than an insubstantial part of its activities serve a private interest.

In Better Business Bureau v. U.S., 326 U.S. 279 (1945), O.F.D. 1950, 1945 O.B. 375, the Supreme Court stated that the presence of even a single, non-exempt purpose, if more than insubstantial in nature, will defeat exemption, under Code section 501(c)(3), regardless of the number or importance of truly exempt purposes.

In Revenue Ruling 71-504, as published in Cumulative Bulletin 1971-2 on page 238 a city medical society exempt under IRC 501(c)(6) sought reclassification under IRC 501(c)(3). Among its activities the society maintained an extensive library, provided educational lectures and counseling services, and published a monthly journal containing educational materials. The society also provided patient referral services for its members, maintained a grievance committee to hear complaints and to settle disputes between member doctors, presented the society's views on legislative matters germane to its members' professional interests, conducted a public relations program, and held meetings concerned with matters affecting the promotion and protection of the practice of medicine. The purpose of the second group of activities was neither educational nor charitable in nature. Since the society had substantial noncharitable and noneducational purposes, it was not exempt under IRC 501(c)(3).

The information you have submitted and which has been cited in this letter establishes that you are organized and operated for the benefit of your members. Your purposes and activities as described are directly beneficial to your members, and therefore serve a private interest as opposed to a public interest.

Accordingly, we conclude that you are not entitled to recognition of exemption from Federal income tax under section 501(c)(3) of the Code.

Since you have not been granted exemption from Federal income tax you are required to file Federal income tax returns on Form 1120 for all past years for which a return has not been filed. File these returns with your key District Director for exempt organizations in Baltimore, Maryland within 60 days from the date of this letter, unless a request for an extension of time is granted. We will not delay processing of income tax returns and assessment of any taxes due because of your bringing suit for declaratory judgment under Code section 7428. File returns for all subsequent years with the appropriate service center indicated in the instructions for those returns.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

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 7426(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."

Sincerely yours,

District Director

Enclosure