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[REDACTED]

[REDACTED]

MAY 18 1981

Gentlemen:

Your application for exemption from Federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code has been considered.

The information submitted discloses that you were incorporated under the [REDACTED] Non-Profit Corporation Act on [REDACTED] for the purpose of promoting greater understanding and a more friendly relationship between races, nations, and classes of people, through education concerning the cultural, moral religious, ethnic, economic and social practices of the people of the world.

Your purposes will be accomplished by arranging people-to-people bicycle expeditions in which the participants will visit foreign countries and will establish close personal contacts in the course of their travel in those countries. Upon the completion of each bicycle expedition, the participants will return to the United States where they will share their experiences through writing and personal appearances.

You state that the riders will be able to establish close personal contacts by living on the local economics, for the most part, and will have as their goal their own education about the customs, traditions, and world views of the people with whom they come in contact.

Your Articles of Incorporation show that your initial board of directors will consist of [REDACTED] and [REDACTED], the two individuals who rode bicycles through [REDACTED] and [REDACTED]. The only other director is [REDACTED], the wife of [REDACTED].

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
		[REDACTED]					
SUR-NAME		[REDACTED]					
DATE		5-13-81					

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(3)Corporations, *** fund, or foundation, organized and operated exclusively for religious, charitable, scientific, *** literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involved the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation (except as otherwise provided in subsection (h)); and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office."

Section 1.501(c)(3)-1 of the regulations provides, in part, as follows:

"(a)(1)In order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt."

"(b)(1)(i)An organization is organized exclusively for one or more exempt purposes only if its articles of organization (referred to in this section as its 'articles') as defined in subparagraph (2) of this paragraph:

(a)Limit the purposes of such organization to one or more exempt purposes; and

(b)Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes."

"(b)(1)(iv) In no case shall an organization be considered to be organized exclusively for one or more exempt purposes, if, by the terms of its articles, the purposes for which such organization is created are broader than the purposes specified in section 501(c)(3). The fact that the actual operations of such an organization have been exclusively in furtherance of one or more exempt purposes shall not be sufficient to permit the organization to meet the organizational test. Similarly, such an organization will not meet the organizational test as a result of statements of other evidence that the members thereof intend to operate only in furtherance of one or more exempt purposes."

"(c)(1) Primary activities. 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."

"(d)(1)(i) An organization is not organized or operated exclusively for one or more of the purposes specified in subdivision (i) of this subparagraph unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interest such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interest."

"(d)(3)(i) In General. The term 'educational', as used in section 501(c)(3), relates to-

- (a) To instruction or training of the individual for the purpose of improving or developing his capabilities; or
- (b) The instruction of the public on subjects useful to the individual and beneficial to the community.

"(b)(4)Distribution of assets on dissolution. An organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal Government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders."

Revenue Ruling 67-327, 1967-2 Cumulative Bulletin 187, held that a nonprofit organization formed for the purpose of arranging group tours for students and faculty of a University to allow them to travel abroad and which has no other activities is not entitled to exemption from Federal income tax under section 501(c)(3).

Revenue Ruling 67-342, 1967-2 Cumulative Bulletin 187, held that a nonprofit organization which is formed and operated to educate the public on the need for international cooperation in order to create and maintain a peaceful world and which disseminates its educational material by means of commercial television may qualify for exemption from Federal income tax under section 501(c)(3) of the Code.

In the case of Better Business Bureau v. U.S. 326, U.S. 279 (1945) Ct. D. 1650, it was held that the presence of a single noncharitable or noneducational purpose, if substantial in nature, will preclude exemption under section 501(c)(3), regardless of the number or importance of truly charitable or educational purposes.

The facts in your case can be distinguished from the situation described in Revenue Ruling 67-342. In Revenue Ruling 67-342, the organization produces educational films which are presented to the public on commercial television which illustrate various activities conducted throughout the world which are a part of an overall program of international cooperation. In your case, your only activity consist of sending individuals to foreign countries for a few weeks, and when they come back to the United States, they give lectures about their experience.

Based on the information presented, we have concluded that you are not organized and operated exclusively for section 501(c)(3) purposes, and you are not entitled to exemption from Federal income tax under the provision of section 501(c)(3). You are not organized for 501(c)(3) purposes since your purposes in your Articles of Incorporation are considerably broader than those to which an organization described in section 501(c)(3) is restricted, and your assets are not dedicated to an exempt purpose. You are not operated exclusively for 501(c)(3) purposes since a substantial part of your activities is education of your own members so they can give briefings to the general public about their travels in the foreign countries, which appears to be a personal venture.

The law makes no provision for the exemption from Federal income tax of religious, charitable, or educational undertaking of individuals conducted as a personal venture. It is our conclusion, therefore, regardless of your meritorious purposes, that you are in part serving a private interest and that you cannot qualify as an organization exclusively engaged in educational purposes within the ambit of section 501(c)(3).

Accordingly, it is held that you are not entitled to exemption from Federal income tax as an organization described in section 501(c)(3) of the Code since you are not organized and operated exclusively for 501(c)(3) purposes, and you are required to file Federal income tax returns on Form 1120.

It follows, therefore, that contributions to you are not deductible by donors under section 170(c) of the Code.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible. You should also file the enclosed Federal income tax return(s) within 30 days with the Chief, Employee Plan/Exempt Organization Division 1100 Commerce, Dallas, Texas 75242.

(6)

[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 this determination letter becomes a final determination, we will notify the appropriate State Officials, as required by section 5104(e) of the Code, that based on the information we have, we are unable to recognize you as an organization of the type described in Code section 501(c)(3).

Sincerely,

[REDACTED]
District Director

Enclosure: Form 5018
Publication 582

cc: [REDACTED]