



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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Date: 07/09/07

Contact Person:

Identification Number:

Telephone Number:

Employer Identification Number:

Legend:

Taxpayer =

x =

Y =

Class 1 =

Class 2 =

Class 3 =

Class 4 =

Dear _____ :

This is in response to Taxpayer's ruling request dated May 17, 2005, that the proposed changes to the bylaws on voting structures will not adversely affect Taxpayer's tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

Taxpayer is a membership organization exempt under section 501(c)(3) of the Code. Taxpayer is classified as other than a private foundation within the meaning of section 509(a)(2).

Taxpayer was formed for charitable and educational purposes and specifically including the following: to provide educational programs, products, and services for public x personnel; to enable public x personnel to exchange useful information about policies, practices, procedures, products, and services of common interest; and to otherwise facilitate the conduct of x activities by government and other public agencies.

Taxpayer is primarily engaged in conducting an annual professional development forum and products exposition, educational programs, and certification programs. Taxpayer provides lectures, seminars, workshops and other similar programs at its annual event for government x personnel for improving their skills, keeping them updated with the best industry practices and programs, and learning rules and regulations affecting governmental x. Taxpayer also sponsors certification programs for certified public officers or professionals on x.

Voting by Taxpayer's members who are entitled to vote is limited to electing members of the Board of Directors and approving amendments to the Articles of Incorporation. Taxpayer has four classes of members, as follow:

1. Class 1 Members --- are x or other agencies of federal, state, or local governments, and publicly owned utilities, schools, and colleges, hospitals, and other public authorities. Only certain employees of Class 1 Members, those designated by the Class 1 Representative, have voting rights. The Class 1 Representative is the chief officer of Class 1 Member or an employee designated by the chief officer. Only Class 1 Representatives and employees designated by a Class 1 Representative to receive member benefits may serve as a director of the Taxpayer. Class 1 Members pay more than 95% of the dues received by the Taxpayer. As of April 30, , Taxpayer had 11,924 employees of Class 1 Members who are entitled to vote.
2. Class 2 Members --- are individuals who currently do not have voting rights, and of which there are five classes as follows:
 - (a) Individual Members --- individuals who are presently employed by a government Class 1 that (i) cannot fund membership in professional organizations; (ii) will not fund membership in professional organizations, or (iii) does not include the individual among the employees designated to receive membership benefits. Individual members can serve on standing committees as voting members, but cannot vote in elections or be elected to the Board of Directors. As of April 30, , Taxpayer had 233 Individual Members.
 - (b) Retired Member --- retirees from a public x organization with full retirement benefits, and who are neither self-employed nor employed in the private sector. Retired Members can serve on standing committees, but cannot vote in elections or be elected to the Board of Directors. As of April 30, , Taxpayer had 109 Retired Members.
 - (c) Student Members --- individuals actively pursuing an undergraduate or postgraduate degree in business or public administration, public x, or materials management. Student Members cannot serve on standing committees, vote in elections, or be elected to the Board of Directors. As of April 30, , Taxpayer had 17 Student Members.
 - (d) Faculty Members --- individuals actively instructing in an undergraduate or postgraduate degree program in business or public administration, public x, or materials management. Faculty Members can serve as non-voting advisory members on standing committees, but cannot vote in elections or be elected to the Board of Directors. As of April 30, , Taxpayer had no Faculty Members.
 - (e) Former Y Members (FYM) --- individuals who were formerly employed in a public x position, and are now either (i) self-employed in their own consulting/instructing business, or (ii) employed in the private sector. FYM members cannot serve on standing committees, vote in elections, or be elected to the Board of Directors. As of April 30, , Taxpayer had 30 FYM.

3. Class 3 Members --- other professional x associations, except those that are chapters of Taxpayer. Class 3 Members are not entitled to vote.
4. Class 4 Members --- are private entities whose x departments follow public x practices. Class 4 members are not entitled to vote.

Taxpayer proposes to amend its bylaws to grant voting rights to the five classes of Class 2 Members. Each Class 2 Member would have one vote. Taxpayer represents that the change in bylaws will not alter its activities and it will continue to operate exclusively in providing educational programs for government employees, a charitable activity of lessening the burdens of government.

Taxpayer is requesting a ruling that the proposed changes to its bylaws of granting voting rights to the five classes of Class 2 Members will not adversely affect its tax-exempt status under section 501(c)(3) of the Code.

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations organized and operated exclusively for charitable or educational purposes, so long as no part of the organization's net earning inures to the benefit of any private person or individual.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides that the term "charitable" is used in section 501(c)(3) of the Code in its generally accepted legal sense and includes lessening the burdens of government.

Rev. Rul. 85-2, 1985-1 C.B. 178, sets forth the criteria for determining whether an organization's activities are lessening the burdens of government: whether the governmental unit considers the organization's activities to be its burden; and whether these activities actually lessen the burden of the governmental unit. An activity is a burden of the government if there is an objective manifestation by the governmental unit that it considers the activities of the organization to be its burden. The interrelationship between the governmental unit and the organization may provide evidence that the governmental unit considers the activity to be its burden. Whether the organization is actually lessening the burdens of government is determined by considering all of the relevant facts and circumstances.

Taxpayer's proposed amendment to its bylaws will allow all Class 2 Members the right to vote in electing the members of Taxpayer's Board of Directors and approving amendments to its Articles of Incorporation. The change would add 389 of Class 2 Members to the 11,294 Class 1 Members who are entitled to vote. The change represents Taxpayer's voting membership of 97% by Class 1 Members and 3% by Class 2 Members. Taxpayer represents that this ratio is not likely to change in the foreseeable future since membership recruitment efforts focus on government agencies.

The proposed change in voting structure indicates that Taxpayer will continue to have a vast majority of voting membership in Class 1 Members. Since Class 1 Members are composed of employees of the government and are elected to the governing body of Taxpayer, Taxpayer is controlled by such members or the government they represent. As controlled by governments and engaging primarily in conducting activities for governments and their employees, Taxpayer continues to be operated for the charitable purpose of lessening the burdens of government.

Based on the foregoing, we rule that Taxpayer's proposed amendments to its bylaws, to grant voting rights to the five classes of Class 2 Members, will not adversely effect its exemption under section 501(c)(3) of the Code.

This ruling 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, you should follow the instructions in Notice 437.

This ruling is conditioned on the understanding that there will be no material change in the facts upon which it is based. We express no opinion as to the tax consequences of the transactions under other provisions of the Code. Because this ruling could help resolve questions concerning federal income status, Taxpayer should keep it in its permanent records.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

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

As provided by section 8.02 of Rev. Proc. 2007-4, 2007-1 I.R.B. 118, 130, "comfort" letter rulings will no longer be issued where a transaction is addressed by established precedent.

Sincerely,

Ronald J. Shoemaker
Acting Manager, Exempt Organizations
Technical Group 2

Enclosure
Notice 437