Internal Revenue Service

Department of the Treasury

Date: 31 JUL 1987

Employer Identification Number:
[redacted]
Form Number:

Tax Years:
[redacted] & thereafter
Key District:
Baltimore
Person to Contact:
[redacted]
Contact Telephone Number:
[redacted]

[redacted]

Dear Sir/Madam:

This is a final adverse determination as to your exempt status under section 501(c)(3) of the Internal Revenue Code.

Our adverse determination was made for the following reason(s):

You are not organized and operated for a section 501 (c) (3) purpose.

The operation of the [redacted] furthers private interest.

Contributions to your organization are not deductible under Code section 170.

You are required to file Federal income tax returns on the form indicated above. Based on the financial information you furnished, it appears that returns should be filed for the above years. You should file these returns with your key District Director, EP/EO Division, within 30 days from the date of this letter, unless a request for an extension of time is granted. Processing of income tax returns and assessment of any taxes due will not be delayed because you have filed a petition for declaratory judgment under Code section 7428. You should file returns for later tax years with the appropriate service center shown in the instructions for those returns.

If you decide to contest this determination under the declaratory judgment provisions of Code section 7428, a petition to the United States Tax Court, the United States Court of Claims, or the district court of the United States for the District of Columbia must be filed within 90 days from the date this determination was mailed to you. Contact the clerk of the appropriate court for rules for filing petitions for declaratory judgment

(over)

We will notify the appropriate State officials of this action, as required by Code section 6104(c).

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

Sincerely yours,

[redacted]

Associate Chief
Appeals Office

[redacted]

[redacted]

MAR 4 1986

CERTIFIED MAIL

Ladies and Genetlemen:

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 data submitted discloses that a testimentary trust formed under the Last Will and Testament of [redacted] became operative on [redacted]. The Trust provided that the Trustee disburse funds for scholarship purposes to students of the negro race who are unable to pay all or part of their tuition. The Trust instrument further states that in awarding scholarships the Trustee shall in every case give preference to any blood relative of the testator of his wife who qualify and show financial need.

The Trust is to be funded by income from the residing estate of [redacted].

Section 501(c)(3) of the Code provides for the exemption of organizations which are organized and operated exclusively for charitable, religious, and educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(a)-1(c) of the regulations defines private shareholder or individuals as persons having private interest in the activities of the organization.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provide that an organization is not organized and operated exclusively for charitable, religious and educational purposes unless it serves a public rather than a private purpose.

In 203 F. Supplement 126, exemption was lost by a foundation that spent a large part of its funds on a scholarship grant to a son of a foundation trustee.

[redacted] 2/12

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Code		[redacted]	[redacted]				
Surname		[redacted]	[redacted]				
Date		2/13/86	[illegible]				

Form 1937-A (Rev. 6-80) Correspondence Approval and Clearance

Department of the Treasury / Internal Revenue Service

[redacted]

In Revenue Ruling 67-367, 1962-2 CB 188 an organization which operated a subscription scholarship plan for individuals designated by the subscribers was operated for private rather than public purposes.

The testators wishes that preference be given to blood relatives by the Trustee in awarding scholarships serves a private not a public interest. Gifts by a charitable organization to friends and relatives of persons in control of the organization are personal in nature rather than public.

On the basis of the evidence presented we find that you are not operating exclusively for exempt purposes under Section 501(c)(3) since you are serving the private interest of the testators blood relatives rather than a public benefit.

We have concluded you are not an organization described in Section 501(c)(3) of the code because your organization serves private interests. Contributions made to your organization are not deductible. You do not qualify under any other Section of 501(c).

You are therefore required to file Federal income tax returns on form 1120. Also the appropriate state officials will be routinely notified of this action in accordance with Section 6104(c) of the Code.

If you do not accept our findings, we recommend that you request for 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 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

[redacted]

Claims, or the district court of the United States for the District of Colubmia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

[redacted]
District Director

Enclosure: Publication 892
cc: [redacted]

cc: state officials