



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

Number: **200644044**

Release Date: 11/3/2006

UIL: 501.03-02 & 509.01-01

Date: May 26, 2006

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

1120

Tax Years:

Dear _____ :

This is our final determination that you do not qualify for exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(3). Recently, we sent you a letter in response to your application that proposed an adverse determination. The letter explained the facts, law and rationale, and gave you 30 days to file a protest. Since we did not receive a protest within the requisite 30 days, the proposed adverse determination is now final.

Because you do not qualify for exemption as an organization described in Code section 501(c)(3), donors may not deduct contributions to you under Code section 170. You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

In accordance with Code section 6104(c), we will notify the appropriate State officials of our determination by sending them a copy of this final letter and the proposed adverse letter. You should contact your State officials if you have any questions about how this determination may affect your State responsibilities and requirements.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at 1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations
Rulings & Agreements

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: March 10, 2006

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

Uniform Issue List:

501.03-02

509.01-01

Legend:

A =

M =

Dear _____ :

We have considered your application for recognition of exemption from Federal income tax under Internal Revenue Code section 501(a). Based on the information provided, we have concluded that you do not qualify for exemption under Code section 501(c)(3). The basis for our conclusion is set forth below.

FACTS:

You were incorporated on A as a nonprofit corporation. Your Articles of Incorporation provide that you were formed to reduce the burdens of government within the meaning of section 501(c)(3) of the Code and to benefit and support the public purposes and activities of M. Article Third (b) of your Articles of Incorporation provides that you will provide, develop, encourage sponsor, administer, service, and manage programs designed to efficiently channel the appropriate forms of financial resources and consulting services into low-income communities

historically unable to attract private or conventional financing. Article Third (c) provides that you will assist entrepreneurs, small businesses, nonprofit corporations, and community based organizations to start, purchase, expand, stabilize, or preserve their business activities. Article Fourth provides that you have all of the powers and authority available to you pursuant to the nonprofit corporation act of the state in which you operate.

You are requesting foundation classification status as an organization described in section 509(a)(3) of the Code based on your relationship with M.

Your sole member is M and M is described in section 501(c)(3) and is a publicly supported organization. M appoints your governing board.

M was formed to relieve the poor and distressed by stimulating economic development. M accomplishes its purpose by providing an array of financial products (typically below-market rates or with terms not customarily obtainable) and business capacity building services. M operates in a manner designed to prevent or reverse the deterioration of low-income, substandard or economically depressed neighborhoods.

M is certified by the Department of Treasury as a Community Development Financial Institution (CDFI). M is also certified as a Community Development Entity (CDE).

M established a for-profit limited liability corporation (LLC), to receive an allocation of New Market Tax Credits (NMTCs). The LLC is a CDE.

You were formed to provide management and other services to the LLC and any other for-profit entities established by M for similar purposes. In addition, you will provide these services to unrelated entities.

You indicate that your primary source of financial support will be management fee income.

Under the New Market Tax Credit Program (NMTC Program), there are three programs in which CDE's which receive an allocation of NMTCs may participate, the Bank Enterprise Awards Program, the Financial Assistance Program and the Native American Initiatives. The Parent is certified to participate in the Financial Assistance Program.

The NMTC Program was initiated to stimulate economic and community development and job creation in the nation's low-income communities by attracting capital from the private sector. The NMTC Program provides tax credits to investors who make qualified equity investments in CDEs.

The Community Development Financial Institutions Fund (CDFI Fund) annually selects CDEs to receive allocations of NMTCs. A CDE is a for-profit, nonprofit or governmental entity treated as a domestic corporation or partnership (A) whose primary mission is serving, or providing investment capital for, Low-Income Communities or Low-Income Persons; (B) which maintain accountability to residents of Low-Income Communities through their representation on any governing board of the entity or on any advisory board to the entity; and (C) is certified by the CDFI Fund.

An organization must be certified as a CDE in order to benefit from the NMTC Program. A CDE may participate in the NMTC Program in two different ways: (a) it may apply to the CDFI Fund for an allocation of tax credits which, in turn, may be offered by the CDE to its investors in exchange for equity investments in the CDE; or (b) it may receive loans or investments from (and sell qualifying business loans to) other CDEs that have successfully competed for allocations of tax credits.

CDEs may, under certain circumstances, transfer allocations to one or more subsidiary organizations. The organizations may transfer tax credit allocations only to those subsidiaries that are also certified as CDEs.

CDEs are required to invest the proceeds of the qualified equity investments in low-income communities. The funds may be used for a wide variety of activities including: loans to or equipment investments in businesses; loans to or equity investments in real estate projects; capitalization of other CDEs, financial counseling and other services.

M currently holds a 99% membership interest in the LLC. As managing partner of the LLC, you hold a 1% interest. It is anticipated that M will establish additional limited liability corporations similar to LLC.

You will solicit banks, other financial institutions, corporations or individuals as potential investors in the LLCs. These LLCs have or will have two classes of membership, Class A and B. Class A interests will be owned by investor members who will not participate in the day-to-day management of the LLC and will have restricted rights to vote on certain major events. Class A membership interests will typically be between 99 and 99.9%. Class B is the managing member whose ownership interest will typically not exceed 1%.

Initially, approximately 90% of your time, manpower and expense will be devoted to managing the LLC and any future for-profit subsidiaries of M. As the manager of the LLC, you:

1. Ensure that the LLC follows the requirements of the NMTC Program;
2. Ensure that all of the LLC's assets are used to make investments in and offer financial and technical products and services to individuals and entities in low income, economically distressed and disadvantaged neighborhoods;
3. Provide various services to capital recipients through the LLC, including screening of all applicants and the rendering of technical and managerial assistance to capital recipients;
4. Compile data and issue reports as needed to comply with the requirements of all relevant federal and state programs as well as the requirements of lenders, investors and contributors; and,
5. Compile and maintain data and records and prepare financial and other reports necessary to meet the requirements of the NMTC Program.

In the future, less of your time will be devoted to managing the LLC. You will to serve as the manager of any other for-profit entities established by M to take advantage of the NMTC Program. The services you provide to those entities will be as described above.

In addition to these activities, you will provide the services described above to unrelated for-profit entities established to take advantage of and participate in other federal and state funded programs targeted at improving economic opportunities in low income or economically depressed geographic areas. This activity will not exceed 10% of your time, manpower and expense.

You will charge fees based on the product and services rendered. Management fees charged will generally range from 1% to 5% of the total assets under management. You indicate that all fees to for-profit subsidiaries of M are discounted from commercial rates and are non-standard in their terms and conditions. In a letter dated October 20, 2005, your authorized representative provides, "Additionally, although Applicant charges management fees, it is expected that its activities will be subsidized by M." Further, it is stated that funds received from management activities will not be sufficient to cover your costs.

LAW:

Section 501(c)(3) of the Code exempts from federal income tax corporations organized and operated exclusively for charitable, educational, and other purposes, provided that 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 provides that, 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.

Section 1.501(c)(3)-1(b)(1)(i) of the regulations provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (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 that in themselves are not in furtherance of one or more exempt purposes.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities that 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 regulations provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, to meet the requirements of this subsection, 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.

Section 1.501(c)(3)-1(e)(1) of the regulations provides that an organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purposes of carrying on an unrelated trade or business.

Rev. Rul. 54-305, 1954-2 C.B. 127, describes an organization whose primary purpose is the operation and maintenance of a purchasing agency for the benefit of its otherwise unrelated members who are exempt as charitable organizations. The ruling held that the organization does not qualify for exemption under the predecessor to section 501(c)(3) of the Code because its activities consisted primarily of the purchase of supplies and the performance of other related services, which are considered an ordinary trade or business.

Rev. Rul. 70-535, 1970-2 C.B. 117, provides that a nonprofit organization formed to provide managerial, developmental, and consultative services to low and moderate income housing projects for a fee does not qualify for exemption under section 501(c)(4). The organization's primary activity was the carrying on a business by managing low and moderate income housing projects in a manner similar to organizations operated for profit.

Rev. Rul. 72-369, 1972-2 C.B. 245, describes an organization formed to provide managerial and consulting services for nonprofit organizations to improve the administration of their programs. Its primary activities were to enter into agreements with unrelated exempt organizations to provide managerial and consulting services on a cost basis. The ruling held that an organization was not exempt merely because its operations were not producing profit. In this case, the organization was not exempt because its primary activity of providing managerial and consulting services for a fee was a trade or business ordinarily carried on for profit. The fact that services were provided at cost solely to exempt organizations was not sufficient to characterize the activity as charitable within the meaning of section 501(c)(3) of the Code.

Rev. Rul. 74-587, 1974-2 C.B. 162, holds that a nonprofit organization formed to relieve poverty, eliminate prejudice, reduce neighborhood tensions, and combat community deterioration through a program of financial assistance in the form of low cost or long-term loans to, or the purchase of equity interests in, various business enterprises in economically depressed areas is exempt under section 501(c)(3) of the Code.

Rev. Rul. 76-419, 1976-2 C.B. 146, holds that a nonprofit organization that purchases blighted land in an economically depressed community, converts the land into an industrial park, and encourages industrial enterprises to locate new facilities in the park in order to provide employment opportunities for low income residents of the area, is operated exclusively for charitable purposes and qualifies for exemption under section 501(c)(3) of the Code.

In Better Business Bureau of Washington D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that the presence of a single non-exempt purposes, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes.

In B.S.W. Group, Inc. v. Commissioner, 70 T.C. 352 (1978), the court considered the petition for exemption under section 501(c)(3) of the Code of an organization which was formed for the purpose of providing consulting services primarily in the area of rural-related policy and program development. The organization's goals are to help entities deal with problems they face regarding the external environments within which they operate, changing priorities, and implementing realistic internal planning and management policies. Another important goal of the organization is to improve clients' understanding of governmental policy processes and methods of becoming more effective in their work through public and private funding. In ruling that the organization did not qualify for exemption under section 501(c)(3), the Court indicates that the organization's primary purpose was not charitable but rather commercial since its activities constitute to conduct of a consulting business of the sort which is ordinarily carried on by commercial ventures for profit.

The criteria the Service uses to determine if an organization's activities further the charitable purpose of lessening the burdens of government are contained in Rev. Rul. 85-1, 1985-1 C.B. 177 and 85-2, 1985-1 C.B. 178. The criteria are, first, that a governmental unit considers the organization's activities to be its burden; and second, that the activities actually lessen that burden.

Relevant factors in determining whether a governmental unit considers an organization's activities to be its burden include:

- 1) An invitation by the governmental unit to the organization to take part in any activity actually being performed by the governmental unit.
- 2) Whether the governmental unit has control over the activities of the organization. If a governmental unit appoints all of the directors of an organization, that is strong evidence that the government considers the activity to be its burden. If, on the other hand, a governmental unit appoints less than half of the directors, the fact that a governmental unit appoints some members to the board is less significant.
- 3) A close interrelationship and attitude of cooperation between the governmental unit and the organization.
- 4) Whether the governmental unit has actually undertaken this activity itself.
- 5) Whether there have been formal actions by a legislative body or other official actions by the governmental unit establishing that it expressly accepts the activity as a governmental burden and recognizes the organization as acting on its behalf.
- 6) Whether the organization regularly receives funding from the government in the form of general grants, as opposed to fees for services provided.
- 7) Whether the activity is one that the governmental unit may, under state or local law, conduct itself.

Even if an organization does not independently qualify for exemption, it may qualify if it is an

integral part of an IRC 501(c)(3) organization, provided it is not a feeder organization within the meaning of IRC 502. An otherwise properly organized and operated organization could derivatively qualify for exemption as an integral part if (1) it performs essential services for an exempt organization and the services, if performed by the exempt organization itself, would not be an unrelated trade or business, and (2) the exempt organization exercises sufficient control and close supervision, based on all the facts and circumstances, to establish the equivalent of a parent and subsidiary relationship. See Rev. Rul. 78-41, 1978-1 C.B. 148 (trust to satisfy malpractice claims against a hospital).

If the equivalent of a parent-subsidiary relationship is established, dealings between the parent and its tax-exempt subsidiary that would not otherwise have resulted in unrelated trade or business are considered to be merely a matter of accounting rather than unrelated trade or business activity under IRC 513. See Rev. Rul. 77-72, 1977-1 C.B. 157 (indebtedness owed to a labor union by its wholly owned tax-exempt subsidiary is not acquisition indebtedness within the meaning of IRC 514 since the parent-subsidiary relationship shows the indebtedness to be merely a matter of accounting).

RATIONALE:

501(c)(3)

Organizational Test

As noted above, section 1.501(c)(3)-1(b)(1)(i) of the regulations provides that an organization's organizing instrument must limit its purposes to one or more exempt purposes; and may not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities that not in furtherance of one or more exempt purposes.

Your Articles of Incorporation provide that you were formed to, among other things provide, develop, encourage sponsor, administer, service, and manage programs designed to efficiently channel the appropriate forms of financial resources and consulting services into low-income communities historically unable to attract private or conventional financing, as well as assisting entrepreneurs, small businesses, nonprofit corporations, and community based organizations to start, purchase, expand, stabilize, or preserve their business activities. Further, your Articles provide that you have all of the powers and authority available to you pursuant to the nonprofit corporation act of the state in which you operate. Thus, your Articles specify purposes outside

the scope of those allowed by section 501(c)(3) of the Code. In addition, they expressly empower you to engage in activities that are not in furtherance of one or more of the purposes enumerated at section 501(c)(3) since they state that you have the powers and authority available to you pursuant to the nonprofit corporation.

Operational Test

It is a clearly established principle of the law of charity that a purpose is not charitable unless it is directed to the public benefit. Not every purpose which is beneficial to the community, however, is deemed charitable. As a general rule, providing services of an ordinary commercial nature in a community, even though the undertaking is conducted on a nonprofit basis, is not regarded as conferring a charitable benefit on the community unless the service directly accomplishes one of the established categories of charitable purposes.

Your primary activity consists of providing management and other services to for-profit and other entities to assist those entities in operating efficiently and within the requirements set by local, state and federal agencies.

Based on the information submitted, your services do not directly accomplish any of the established categories of charitable purposes. You state that you will provide managerial services to related for-profit entities as well as unrelated for-profit, non-profit and governmental entities. Unlike the organizations described in Rev. Ruls. 74-587 and 76-419, you do not directly further a charitable purpose.

Your operations are indistinguishable from those described in Rev. Ruls. 54-305, 70-535, 71-529, and 72-369. Like those organizations, you do not directly further a charitable purpose through your provision of management and other services. At least 90% of the services you provide will be provided to for profit entities. In spite of the fact that the provision of services in those revenue rulings was limited to tax exempt entities, the organizations were held not to qualify under section 501(c)(3). Your primary activity of providing managerial and consulting services for a fee is a trade or business ordinarily carried on for profit.

You operate in a manner similar to that of the organization described in B.S.W. Group, Inc., supra. Your provision of management and other services constitutes a trade or business. Your primary purpose is not charitable, but rather commercial. Like that organization, your primary source of support will be fees from the provision of services.

You indicate that M will subsidize your activities since the income generated will not be sufficient to cover your costs. Thus, you will serve the private interests of the LLC and similar organizations as well as the investors in those organizations by providing services at less than fair-market value.

Your primary purpose is to operate a trade or business, providing management and other services to for profits and unrelated entities. Thus, you are not qualified for tax-exempt status since you have a substantial nonexempt purpose. See Better Business Bureau v. United States, supra.

With respect to the lessening of burdens rationale to support your claim to status as an organization described in section 501(c)(3) of the Code, you do not meet any of the criteria enumerated above. Accordingly, you do not lessen the burdens of government.

With respect to the pertinent part of the integral part rationale, an organization may derivatively qualify for exemption as an integral part if it performs essential services for its tax exempt parent and the services, if performed by the exempt organization itself, would not be an unrelated trade or business. The provision of managerial and other services if provided by M to its for profit subsidiaries and unrelated organizations, would be an unrelated trade or business. Further, using the integral part basis, an organization must perform essential services solely for its parent and its parent's tax exempt subsidiaries. You will not limit the provision of services to your parent and the tax-exempt subsidiaries of your parent. Thus, you do not meet the criteria for the integral part basis.

509(a)(3) Status:

Section 509(a) of the Code defines the term "private foundation" as an organization described in section 501(c)(3) other than organizations described in section 509(a)(1), (2), (3), or (4). Section 509(a)(3) provides that the term "private foundation" does not include an organization that:

(A) is organized and operated exclusively for the benefit of, to perform the function of, or to carry out the purposes of one or more organizations described in section 509(a)(1) or (2);

(B) is operated, supervised or controlled by, or in connection with, one or more organizations described in section 509(a)(1) or (2);

(C) is not be controlled, directly or indirectly, by one or more persons who would be disqualified persons as defined in section 4946 if the organization were a private foundation, other than foundation managers as defined in section 4946(a)(1)(B) and organizations described in section 509(a)(1) and (2).

Section 1.509(a)-4(c)(1) of the regulations provides that an organization is organized exclusively for one or more purposes specified in section 509(a)(3)(A) of the Code only if its articles of organizations: (i) limit the purposes of such organization to one or more of the purposes set forth in section 509(a)(3)(A); (ii) do not expressly empower the organization to engage in activities which are not in furtherance of purposes set forth in section 509(a)(3)(A); (iii) state the specified publicly supported organizations; and (iv) do not expressly empower the organization to operate to support or benefit any organization other than the specified publicly supported organizations stated in its articles of organization.

Section 1.509(a)-4(e)(1) of the regulations provides, in pertinent part, that a supporting organization will be regarded as “operated exclusively” to support one or more specified publicly supported organizations only if it engages solely in activities which support or benefit the specified publicly supported organizations. Such activities may include making payments to or for the use of, or providing facilities for, individual members of the charitable class benefited by the specified publicly supported. Further, that section provides that an organization will be regarded as “operated exclusively” to support or benefit one or more specified publicly supported organizations even if it supports or benefits an organization, other than a private foundation, which is described in section 501(c)(3) and is operated, supervised, or controlled directly by or in connection with such publicly supported organizations, or which is described in section 511(a)(2)(B). However, an organization will not be regarded as operated exclusively if any part of its activities is in furtherance of a purpose other than supporting or benefiting one or more specified publicly supported organizations.

Section 1.509(a)-4(e)(2) of the regulations provides, in pertinent part, that a supporting organization is not required to pay over its income to the publicly supported organizations in order to meet the operational test. It may satisfy the test by using its income to carry on an independent activity or program which supports or benefits the specified publicly organizations. All such support must, however, be limited to permissible beneficiaries in accordance with subparagraph (1) of this paragraph.

Organizational Test

Your Articles of Incorporation provide that you were formed to, among other things provide, develop, encourage sponsor, administer, service, and manage programs designed to efficiently channel the appropriate forms of financial resources and consulting services into low-income communities historically unable to attract private or conventional financing, as well as assisting entrepreneurs, small businesses, nonprofit corporations, and community based organizations to start, purchase, expand, stabilize, or preserve their business activities. Further, your Articles provide that you have all of the powers and authority available to you pursuant to the nonprofit corporation act of the state in which you operate.

Your Articles (1) do not limit your purposes to one or more of the purposes set forth in section 509(a)(3)(A), (2) expressly empower you to engage in activities which are not in furtherance of purposes set forth in section 509(a)(3)(A), and (3) expressly empower you to operate to support or benefit organizations other than M. Thus, you do not meet the organizational test described at section 1.509(a)-4(c)(1) of the regulations.

Operational Test

The carrying on of a trade or business is not an activity which supports or benefits M. Your activities are distinguished from the activities described in section 1.509(a)-4(e) of the regulations which refers to activities such as making payments to or for the use of, or providing facilities for, individual members of the charitable class benefited by the specified publicly supported organization. You do not limit recipients of your services to permissible beneficiaries as described in section 1.509(a)(e)(1) of the regulations. The organizations you will provide services to are not members of a charitable class nor are they organizations described in section 501(c)(3) of the Code and operated, supervised, or controlled directly by or in

connection with M. Your activities will further a purpose other than supporting or benefiting M. Thus, you do not meet the requirements of either section 1.509(a)-4(e)(1) or (2). Accordingly, you do not meet the operational test described at section 1.509(a)-4(e).

CONCLUSION:

Based on our analysis of the information provided, we have concluded that you are neither properly organized nor properly operated under section 501(c)(3) of the Code. You fail the organizational test because your Articles of Incorporation specify activities, purposes, and powers outside the scope of section 501(c)(3). You fail the operational test for a number of reasons. You have failed to establish that you will be operated for a charitable purpose. In fact, the information provided establishes that you will operate for the substantial non-exempt purpose of operating a business. Further, your activities will result in more than an insubstantial amount of private benefit to for-profit and unrelated organizations and the investors in those organizations.

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(3) of the Code and you must file federal income tax returns. Even if you were described in section 501(c)(3), you are not an organization described in 509(a)(3) of the Code.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination.

You also have a right to request a conference to discuss your protest. This request should be made when you file your protest statement. An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you. If you want representation during the conference procedures, you must file a proper power of attorney, Form 2848, Power of Attorney and Declaration of Representative, if you have not already done so. For more information about representation, see Publication 947, Practice before the IRS and Power of Attorney. All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not file a protest within 30 days, you will not be able to file a suit for declaratory judgment in court because the Internal Revenue Service (IRS) will consider the failure to protest as a failure to exhaust available administrative remedies. Code section 7428(b)(2) provides, in part, that a declaratory judgment or decree shall not be issued in any proceeding unless the Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted all of the administrative remedies available to it within the IRS.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848 and any supporting documents to this address:

Internal Revenue Service
TE/GE, xxxxxxxxxxxxxxx
xxxxxxxxxxxxxxxxxxxx
1111 Constitution Ave, N.W.
Washington, DC 20224

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

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

Sincerely,

Lois G. Lerner
Director, Exempt Organizations
Rulings & Agreements