



Department of the Treasury
Internal Revenue Service
Appeals Office

Date: OCT 10 2019

Person to contact:
Name:
Employee ID number:
Telephone:
Fax:
Hours:
Employer ID number:
Uniform issue list
(UIL):
501.02-00

Number: 202001027
Release Date: 1/3/2020

Certified Mail

Dear .:

This is a final adverse determination that you do not qualify for exemption from federal income tax under Internal Revenue Code (the "Code") Section 501(a) as an organization described in Section 501(c)(2) of the Code.

We made the adverse determination for the following reasons:

You do not meet the requirements under Internal Revenue Code section 501(c)(2) because the organization for which you hold title to property is not itself tax exempt under section 501 of the Internal Revenue Code.

You're required to file federal income tax returns on Forms 1120, U.S. Corporation Income Tax Return. Mail your form to the appropriate Internal Revenue Service Center per the form's instructions. You can get forms and instructions by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676).

We'll make this letter and the proposed adverse determination letter available for public inspection under Section 6110 of the Code after deleting certain identifying information. We provided to you, in a separate mailing, Notice 437, Notice of Intention to Disclose. Please review the Notice 437 and the documents attached that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437.

If you decide to contest this determination, you can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. Contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment. You can write to the courts at the following addresses:

United States Tax Court	US Court of Federal Claims	US District Court for the District of Columbia
400 Second Street, NW	717 Madison Place, NW	333 Constitution Avenue, NW
Washington, DC 20217	Washington, DC 20005	Washington, DC 20001

Note: We will not delay processing income tax returns and assessing any taxes due even if you file a petition for declaratory judgment under Section 7428 of the Code.

Please refer to the enclosed Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status, for more information about the Appeals process.

You also have the right to contact the Taxpayer Advocate Service (TAS). TAS is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

TAS assistance is not a substitute for established IRS procedures, such as the formal appeals process. TAS cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States Court.

If you have questions, contact the person at the top of this letter.

Sincerely,

Appeals Team Manager

Enclosures:
Publication 892

cc:



Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Date: **OCT 04 2018**

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

B =
C =
E =
F =
G =

UIL:

501.02-00

Dear Applicant:

We considered your application for recognition of exemption from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). Based on the information provided, we determined that you don't qualify for exemption under Section 501(c)(2) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under Section 501(c)(2) of the Code? No, for the reasons stated below.

Facts

You were formed in the state of B on C. Your Articles of Incorporation state that you are formed to a) hold title to property, b) collect income therefrom, c) distribute income, less expenses, to member(s), and d) perform all other acts necessary or incidental to the above.

You own commercial real estate which will be leased to unrelated tenants under arm's length terms. You hold title to properties, collect and distribute income from those properties, less expenses, to your sole member, G. G is a disregarded entity with respect to F. F is a organization established under the laws of E. You are controlled by G, as they have authority to remove and/or replace directors for any reason. Upon dissolution all assets shall be distributed to your member(s). Less than % of your income is received incidentally from the holding of real property.

You assert that F is a charitable organization described in Sections 501(c)(3) and 4945(b) of the Code. However, F is not exempt under Section 501(c)(3).

Law

Section 501(c)(2) of the Code provides for the exemption from federal income tax of corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under this section.

Treasury Regulation Section 1.501(c)(2)-1(b) states that a corporation described in Section 501(c)(2) cannot accumulate income and retain exemption, but it must turn over the entire amount of such income, less expenses, to an organization which is itself exempt under Section 501(a).

Revenue Ruling 69-381, 1969-2 CB 113, describes corporations organized to hold title to property for exempt organizations. A title holding corporation that derives income from rental of real property to the general public is not precluded from exemption under Section 501(c)(2) of the Code.

Application of law

You do not meet the requirements for recognition of tax exemption under Section 501(c)(2) of the Code. As you turn all your income, less expenses, over to an organization that is not exempt under Section 501(a), you do not meet the requirements of Treas. Reg. Section 1.501(c)(2)-1(b) and you are not exempt.

You are not like Rev. Rul. 69-381, because you are not holding title to property for the benefit of any exempt organization under Section 501(c) of the Code.

Conclusion

Based on the information provided, you are not exempt under Section 501(c)(2) of the Code because you distribute your income to a non-exempt foreign organization.

If you don't agree

You have a right to file a protest if you don't agree with our proposed adverse determination. To do so, you must send a statement to us within 30 days of the date of this letter. The statement must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with
- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative
- One of the following declarations:

For an officer, director, trustee, or other official who is authorized to sign for the organization:

Under penalties of perjury, I declare that I examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

For authorized representatives:

Under penalties of perjury, I declare that I prepared this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, *Power of Attorney and Declaration of Representative*, with us if he or she hasn't already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of Attorney*.

We'll review your protest statement and decide if you provided a basis for us to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't provided a basis for reconsideration, we'll forward your case to the Office of Appeals and notify you. You can find more information about the role of the Appeals Office in Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

Where to send your protest

Please send your protest statement, Form 2848, if needed, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Room 7-008
P.O. Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You can also fax your statement and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that he or she received it.

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

You can find all forms and publications mentioned in this letter on our website at www.irs.gov/formspubs. If you have questions, you can contact the person listed at the top of this letter.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892

cc: