



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

Date: FEB - 1 2002

ABC Non Profit Organization
Adam Doe President
123 Your Street
Cleveland, OH 44106

Employer Identification Number:
34-0711111
Group Exemption Number:
1111
Issuing Specialist:
Abraham Brickner # 50-1234
Toll Free Customer Service:
8 77-829-5500
Accounting Period Ending:
December 31
Foundation Status Classification:
501 (c) 3
Form 990 Required YES

Dear Applicant:

We have considered your application for a group exemption letter recognizing your subordinates as exempt from federal income tax under section 501(a) of the Internal Revenue Code as organizations described in section 501(c)(3).

Our records show that you are recognized as exempt from federal income tax as an organization described in section 501(c)(3) of the Code.

Based on the information supplied, and assuming the operations of your subordinate organizations will be as stated in your application for a group exemption letter, we have determined that your subordinates are exempt from federal income tax under section 501(c)(3) of the Code.

We have further determined that your subordinate organizations are not private foundations within the meaning of section 509(a) of the Code, because they are organizations described in the section(s) indicated above.

Your subordinate organizations are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more paid to each of their employees during a calendar year. Your subordinates are not liable for the tax imposed under the Federal Unemployment Tax Act.

Because your subordinate organizations are not private foundations, they are not subject to the excise taxes under Chapter 42 of the Code. However, if a subordinate is involved in an excess benefit transaction, that transaction might be subject to the excise taxes of section 4958. In this letter we are not determining whether any of your subordinates' present or proposed arrangements would be considered an excess benefit transaction resulting in tax under section 4958. Additionally, your subordinates are not automatically exempt from other federal excise taxes.

FEB 11 2002

ABC Non Profit Organization

Donors may deduct contributions to your subordinate organizations as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to your subordinates or for their use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522.

Contribution deductions are allowable to donors of your subordinate organizations only to the extent that contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fund-raising events may not necessarily qualify as fully deductible contributions, depending on the circumstances. If your subordinate organizations conduct fund-raising events such as benefit dinners, shows, membership drives, etc., where something of value is received in return for payments, they are required to provide a written disclosure statement informing the donor of the fair market value of the specific items or services being provided. To do this they should, in advance of the event, determine the fair market value of the benefit received and state it in their fund-raising materials such as solicitations, tickets, and receipts in such a way that the donor can determine how much is deductible and how much is not. The disclosure statement should be made, at the latest, at the time payment is received. Subject to certain exceptions, the disclosure responsibility applies to any fund-raising circumstance where each complete payment, including the contribution portion, exceeds \$75. In addition, donors must have written substantiation from the charity for any charitable contribution of \$250 or more. For further details regarding these substantiation and disclosure requirements, see the enclosed copy of Publication 1771.

Donors (including private foundations) may rely on this ruling unless the Internal Revenue Service publishes notice to the contrary. However, if your subordinate organizations lose their 509(a) status as indicated above, contributors (other than private foundations) may not rely on the classification indicated above if they were in part responsible for, or were aware of, the act that resulted in the loss of such status, or they acquired knowledge that the Internal Revenue Service had given notice that they would be removed from that classification. Private foundations may rely on the classification as long as your subordinates were not directly or indirectly controlled by them or by disqualified persons with respect to them. However, private foundations may not rely on the classification indicated above if they acquired knowledge that the Internal Revenue Service had given notice that they would be removed from that classification.

Your subordinates whose gross receipts each year are normally more than \$25,000 are each required to file Form 990, *Return of Organization Exempt From Income Tax*, by the 15th day of the fifth month after the end of their annual accounting period. If your subordinates' gross receipts each year are not normally more than \$25,000, we ask that they establish that they are not required to file Form 990 by completing Part I of that Form for their first year.

Thereafter, they will not be required to file a return until their gross receipts exceed the \$25,000 minimum. For guidance in determining if their gross receipts are "normally" not more than the \$25,000 limit, see the instructions for the Form 990. If a return is required, it must be filed by the 15th day of the fifth month after the end of their annual accounting period. A penalty of \$20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. The maximum penalty charged cannot exceed \$10,000 or 5 percent of your gross receipts for the year, whichever is less. For organizations with gross receipts exceeding \$1,000,000 in any year, the penalty is \$100 per day per return, unless there is reasonable cause for the delay.

ABC Non Profit Organization

The maximum penalty for an organization with gross receipts exceeding \$1,000,000 shall not exceed \$50,000. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it. If you prefer, you may file a group return for those subordinates that authorize you in writing to include them in that return. If you are required to file Form 990 for your own activities, you must file a separate return and may not be included on any group return that you file for your subordinates. Form 990 should be filed with the Ogden Service Center, Ogden, UT 84201-0027.

Your subordinates are required to make Form 990 available for public inspection for three years after the later of the due date of the return or the date the return is filed. You are required to make available for public inspection the group exemption application, any supporting documents, and this exemption letter. Copies of these documents must be provided to any individual upon written or in person request without charge other than reasonable fees for copying and postage. You and your subordinates may fulfill this requirement by placing these documents on the Internet. Penalties may be imposed for failure to comply with these requirements. Additional information is available in Publication 557, *Tax-Exempt Status for Your Organization*, or you may call our toll free number shown above.

Your subordinate organizations are not required to file federal income tax returns unless they are subject to the tax on unrelated business income under section 511 of the Code. If they are subject to this tax, they must file an income tax return on Form 990-T, *Exempt Organization Business Income Tax Return*. In this letter we are not determining whether any of your subordinates' present or proposed activities are unrelated trade or business as defined in section 513.

Each year, at least 90 days before the end of your annual accounting period, please send the items listed below to the Ogden Service Center.

1. A statement describing any changes during the year in the purposes, character, or method of operation of your subordinates.
2. A list showing the names, mailing addresses (including postal ZIP codes), actual addresses if different, and employer identification numbers of subordinates that during that year:
 - a. changed names or addresses,
 - b. were deleted from your roster, or
 - c. were added to your roster.

If you are not a church or church-controlled organization, you will receive a "List of Parents and Subsidiary Accounts," from the Ogden Service Center approximately six months prior to the end of your accounting period. For your convenience you may use that information to update your list of subordinates. An annotated directory of subordinates will not be accepted for this purpose.

ABC Non Profit Organization.

3. For subordinates to be added, attach:

- a. a statement that the information on which your present group exemption letter is based applies to the new subordinates;
- b. a statement that each has given you written authorization to add its name to the roster;
- c. a list of those to which the Service previously issued exemption rulings or determination letters;
- d. a statement that none of the subordinates is a private foundation as defined in section 509(a) of the Code;
- e. the street address of subordinates where the mailing address is a Post Office box; and
- f. for each subordinate that is a school claiming exemption under section 501(c)(3), the information required by Revenue Procedure 75-50, 1975-2 C.B. 587. Also include any other information necessary to establish that the school is complying with the requirements of Revenue Ruling 71-447, 1971-2 C.B. 230. This is the same information required by Schedule B, Form 1023, *Application for Recognition of Exemption under section 501(c)(3) of the Internal Revenue Code*.

4. If applicable, a statement that your group exemption roster did not change during the year.

Your Group Exemption Number is 3829. Your subordinates are required to include this number on each Form 990, *Return of Organization Exempt from Income Tax*, and Form 990-T, *Exempt Organization Business Income Tax Return*, that they file. Please advise your subordinates of this requirement and provide them with the Group Exemption Number.

If you have any questions about this letter, or about filing requirements, excise, employment, or other federal taxes, please contact the Ohio Tax Exempt and Government Entities (TE/GE) Customer Service office at 877-829-5500 (a toll free number) or correspond with that office using the following address: Internal Revenue Service, TE/GE Customer Service, P.O. Box 2508, Cincinnati, OH 45201. Because this letter could help resolve any questions about your subordinates' exempt status, you should keep it in your permanent records.

ABC Non Profit Organization

Sincerely,

Marvin Freedman,
Manager, Exempt Organizations
Technical Group 1

Enclosure:
✓ Pub. 1771

