

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

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Contact Person:

Identification Number:

Telephone Number:

UIL: 501.03-08

Employer Identification Number:

Legend:

A=

<u>B</u>=

<u>u</u>-D=

Dear :

This is in reply to your request for a ruling concerning the proposed transfer of assets to \underline{A} from B.

Facts

 \underline{A} is an organization described in sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code. \underline{A} educates the public about the importance of science and technology to the national defense of the USA. Specifically, \underline{A} focuses on aerospace education for the military and civilian sectors in the USA. The activities that \underline{A} conducts to implement these purposes include the following:

Educating the public about the contributions of aerospace programs to our nation's security;

Facilitating the interaction of educational, scientific, industrial, business, Military and government agencies;

Assembling and spreading information about our nation's military and civilian aerospace heritage;

Encouraging aerospace education in schools and colleges; and

Receiving gifts and grants, and disbursing them for relevant educational purposes.

 \underline{A} operates its educational portion of its programs by offering scholarships, grants, awards, and public awareness. \underline{A} also has a public policy and research branch, \underline{C} . \underline{C} publishes studies and technical papers, and offers national symposia on \underline{A} 's area of interest. Periodically, \underline{A} publishes issue briefs and special reports that are widely distributed to Congress, the media, and \underline{B} 's members. Contributions fund \underline{A} 's education programs, scholarships, and grants. \underline{A} is managed by its Board of Trustees, and is not a membership organization.

 \underline{B} is described in section 501(c)(19) of the Code as a veteran's organization. \underline{B} is a large organization, with many thousands of members in many chapters around the USA. Among its activities are: promoting efforts to keep the \underline{D} adequate, strong, and powerful; to educate members of the \underline{D} and public about the need for proper development of air power and progress in aviation; to commemorate the memory of those who died defending the USA; and offering group life insurance to its members. \underline{B} publishes a monthly magazine, and several newsletters. \underline{B} also offers national symposia on topical aerospace and defense issues.

Over the past year, \underline{A} and \underline{B} have reviewed their structures and interactions. Based on this review, the organizations propose to reorganize as described below:

- - \underline{A} will continue its educational activities. \underline{A} will expand its educational programs by taking over all educational activities owned and operated by \underline{B} .
 - -A will change its name to B.
 - $-\underline{A}$ will become a membership-based organization, and assume the membership of \underline{B} , and \underline{B} 's field units.
 - -B will continue to exist, and continue offering insurance to its veteran members.
 - - \underline{B} will transfer its educational programs to \underline{A} , increasing \underline{B} 's efficient use of its assets, by consolidating its current programs with those offered by A.
 - -B will strengthen its financial position by focusing on its insurance programs.
 - $-\underline{B}$ will change its name to \underline{E} .
- \underline{B} will transfer to \underline{A} all of its tangible assets (e.g., cash, bonds, and equities) and intangible assets that relate to \underline{B} 's educational activities. \underline{A} will then carry on the educational activities previously operated by \underline{B} .

The organizations anticipate many benefits from the reorganization. These include increasing the educational activities of \underline{A} , increasing \underline{A} 's revenues by increasing its membership base, and better serving the USA's aerospace educational needs.

 \underline{A} will continue to operate with a Board of Trustees ("Board") and elected Officers. There will be an interim period whereby officers and members of the current Boards of \underline{A} and \underline{B} will both serve on a revised Board of \underline{A} . After this interim period, \underline{A} will become fully responsive to its members as a fully functional membership organization, with membership voting for \underline{A} 's Board.

Ruling

The following ruling is requested:

The transfer of assets by \underline{B} to \underline{A} will not adversely impact the tax-exempt status of \underline{A} under section 501(c)(3) of the Code.

Law

Section 501(c)(3) of the Code recognizes as exempt from federal income tax entities that are organized and operated exclusively for charitable purposes, no part of the net earnings of which inure to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(d)(3) of the Income Tax Regulations states that the term "educational" includes the instruction of the public on subjects useful to the individual and beneficially to the community.

Analysis

The transfer of assets is consistent with the continued tax-exempt status of \underline{A} under section 501(c)(3) of the Code as an organization that is organized and operated exclusively for educational purposes. \underline{A} will receive tangible and intangible assets from \underline{B} and will use these assets in the conduct of its educational activities. \underline{A} will continue to provide education to the public on the importance of science and technology to the national defense of the USA. Thus, after the transfer, \underline{A} will continue to operate primarily for educational purposes under section 1.501(c)(3)-1(d)(3) of the regulations.

Conclusion

Accordingly, we rule that:

The transfer of assets by \underline{B} to \underline{A} will not adversely impact the tax-exempt status of \underline{A} under section 501(c)(3) of the Code.

This ruling is based on the understanding there will be no material changes in the facts upon which it is based.

This ruling does not address the applicability of any section of the Code or regulations to the facts submitted other than with respect to the sections described.

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

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.

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.

In accordance with the Power of Attorney currently on file with the Internal Revenue Service, we are sending a copy of this letter to your authorized representative.

Sincerely,

Steven B. Grodnitzky Acting Manager Exempt Organizations Technical Group 1

Enclosure Notice 437