

May 3, 2006

**Re:** Exemption Request

General Corporation Tax  
FLR No.: M-054838-006

Dear :

This is in response to your request for a ruling dated September 15, 2005 that (the "Organization") is exempt from the New York City General Corporation Tax ("GCT"). Additional information was received on March 21, 2006.

**FACTS:**

The facts presented are as follows:

The Organization is a nonstock corporation formed on October 23, 1992 under section 402 of the Not-for-Profit Corporation Law of New York State. Pursuant to its Certificate of Incorporation, the purposes for which the Organization is formed are exclusively for the promotion of social welfare within section 501(c)(4) of the Internal Revenue Code of 1954, as amended, ("IRC") and to encourage and protect individual choice regarding reproductive health care and to advocate public policies which guarantee the right, as well as full and nondiscriminatory access, to such care, and to foster and preserve a social and political climate favorable to the exercise of reproductive choice.

The Organization's bylaws provide that the Organization's members are those individuals serving as Board members of \_\_\_\_\_, a not-for profit corporation exempt from federal taxation pursuant to IRC section 501(c)(3), members of

the Board of the Organization, the Chair of the Organization, and members of the public who pay annual dues.

The Organization is exempt from federal taxation under IRC section 501(c)(4) pursuant to an exemption letter issued by the Internal Revenue Service (“IRS”) dated November 25, 1993. On July 22, 2005 the IRS issued a letter confirming that the Organization continues to be exempt from federal taxation.

The Organization was formed in 1992, but did not begin operations at that time. In August 2005, the Organization began its operations and developed bylaws, elected a board of directors, developed a strategic plan and created endorsement policies. The Organization’s proposed activities include engaging the community about health issues, educating the public and candidates about health issues, conducting non-partisan voter registration drives, creating educational material on general health issues, conducting polling and focus groups to measure voters’ attitudes toward health and other incidental activities. The Organization obtains its funding from soliciting contributions from all publicly available sources including grants from private foundations, its members and the public at large. As its operations get underway, the Organization expects to maintain assets and use these assets to fund the proposed activities. The funds raised in 2005 from individual donors will be used to pay for legal counsel, to develop a website and provide online educational materials, to pay staff salaries and for supplies and to conduct non-partisan mailings to voters regarding various issues. No part of the Organization’s net income is credited to surplus or may inure to the benefit of any private shareholder or individual. In your ruling request you state that the Organization had not been required to file any annual returns with the IRS due to the fact that it had not had any income totaling \$25,000 or more since it was formed.

**ISSUE:**

You have requested a ruling that the Organization is exempt from the GCT.

**CONCLUSION:**

Based on the facts presented we have determined that the Organization is exempt from the GCT.

**DISCUSSION:**

Generally, the GCT is imposed on every domestic or foreign corporation for the privilege of doing business, or employing capital, or owning or leasing property in New York City in a corporate form or organized capacity, or maintaining an office in the City, for all or any part of its fiscal or calendar year. Section 11-603 of the Administrative Code of the City of New York. By regulation, an exemption is provided for a nonstock corporation provided that it is organized and operated for nonprofit purposes, it does not engage in

substantial commercial activities, and no part of its net earnings inures to the benefit of any officer, director, or member. Section 11-04(b)(8) of Title 19 of the Rules of the City of New York (“RCNY”). A presumption exists that a nonstock corporation will satisfy these requirements if the IRS has determined that the corporation is exempt from federal income tax under IRC section 501(a), absent substantial evidence to the contrary. 19 RCNY § 11-04(b)(8)(i).

IRC section 501(a) exempts an organization from federal income tax if it is described in section 501(c) or (d). Included in IRC section 501(c) are civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare and no part of their net earnings inures to the benefit of any private shareholder or individual. IRC § 501(c)(4). Since the IRS has determined that the Organization is tax exempt status under section 501(a) of the IRC, specifically as an entity described in IRC §501(c)(4), and its intended operations will meet those criteria, it is our opinion that the Organization is exempt from the GCT.

The Department reserves the right to verify the facts submitted. Please be advised that any material change in the character or activities of the Organization must be reported to this office for re-evaluation of taxable status. Similarly, any change in the federal tax status of the Organization must be reported to this office.

Very truly yours,

Dara Jaffee  
Assistant Commissioner  
for Legal Affairs

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