



U. S. TREASURY DEPARTMENT
WASHINGTON 25

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
WASHINGTON 25, D. C.

AND REFER TO

T:R:PEO:S

MEM

JUN 24 1955

Sword of the Lord Foundation
214 West Wesley Street
Wheaton, Illinois

Gentlemen:

We have completed our review of the information furnished us for the purpose of further considering your status for Federal income tax purposes.

In our ruling of November 17, 1952, we held that you are not entitled to exemption from Federal income tax under section 101(6) of the Internal Revenue Code of 1939 for the year 1951 and subsequent years. Such ruling modified a ruling of August 26, 1949, holding that you are exempt under such section of the law.

We have concluded, upon reconsideration and a careful study of all the information before us, that you are entitled to exemption under section 501(c)(3) of the 1954 Code, which corresponds to section 101(6) of the 1939 Code, as being organized and operated exclusively for religious and educational purposes. Our ruling of November 17, 1952, is hereby revoked.

However, certain organizations otherwise exempt from Federal income tax under sections 501(c)(3) of the 1954 Code and/or 101(6) of the 1939 Code are subject to the unrelated business income tax imposed by section 511(a) of the 1954 Code, on taxable income in excess of \$1,000.00 from an unrelated trade or business as defined in section 513 of the 1954 Code, which corresponds to section 422 of the 1939 Code.

Section 513 defines an unrelated trade or business as any trade or business the conduct of which is not substantially related to the exercise or performance by such organization of its charitable, educational or other purpose or function constituting the basis for its exemption.

Though the books, **pamphlets**, and other materials sold by you may be religious in content, the operations carried on in connection therewith are not religious but are activities of a kind carried on by ordinary commercial enterprises. This is also true so far as your book club is concerned.

Thus, while the individuals purchasing your literature may receive spiritual guidance therefrom, your activities connected with the selling of such material are not religious within the intent of the statute.

Accordingly, it is held that the income received by you from wholesale and retail sales and from the operation of your book room and book club (exclusive of income from the sale of your publication, **The Sword of the Lord**), constitutes income from an unrelated trade or business within the meaning of section 513 of the 1954 Code and where applicable, under section 422 of the 1939 Code.

You are required, therefore, beginning with the year 1951 to file Form 990-T for the purpose of reporting income from such sales and activities with the District Director of Internal Revenue for your district on or before the fifteenth day of the third month following the close of each taxable year for which the return is required to be filed.

You are not required to file income tax returns on Form 1120 unless you change the character of your organization, the purposes for which you were organized, or your method of operation. Any such changes should be reported immediately to the District Director of Internal Revenue in order that their effect upon your exempt status may be determined.

You are required, however, to file an information return, Form 990A, annually, with the District Director of Internal Revenue for your district so long as this exemption remains in effect. This form may be obtained from the District Director and is required to be filed on or before the fifteenth day of the fifth month following the close of your annual accounting period.

Contributions made to you are deductible by the donors in computing their taxable income in the manner and to the extent provided by section 170 of the 1954 Code (and, where applicable, by section 23(o)(2) and (q)(2) of the 1939 Code).

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Bequests, legacies, devises or transfers to or for your use are deductible in computing the value of the taxable estate of a decedent for Federal estate tax purposes in the manner and to the extent provided by sections 2055 and 2106 of the 1954 Code (and, where applicable, by sections 812(d) and 861(a)(3) of the 1939 Code). Gifts of property to or for your use are deductible in computing taxable gifts for Federal gift tax purposes in the manner and to the extent provided by section 2522 of the 1954 Code (and, where applicable, by sections 1004(a)(2)(B) and 1004(b)(2) and (3) of the 1939 Code).

No liability is incurred by you for the taxes imposed under the Federal Insurance Contributions Act (social security taxes) unless you have filed a waiver of exemption certificate in accordance with the applicable provisions of such Act. In the event social security coverage is desired for your employees or there are any questions relating to the filing of a waiver of exemption you should take the matter up with your District Director of Internal Revenue.

Your attention is called to the provisions of section 501(c)(3) of the Internal Revenue Code of 1954 under which your exemption will be revoked if any substantial part of your activities consists of carrying on propaganda, or otherwise attempting, to influence legislation, or if you participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

The District Director of Internal Revenue, Chicago, Illinois is being advised of this action.

Very truly yours,



Chief, Pensions and
Exempt Organizations Branch