

Internal Revenue Service  
District Director

Department of the Treasury

Lab  
3/11/05

Date: October 11, 1984

Employer Identification Number:

52-1164539

Accounting Period Ending:

June 30

Form 990 Required: ☒ Yes ☐ No

Person to Contact:

R.D. Morris

Contact Telephone Number:

962-2590

The Baltimore Watercolor Society, Inc.  
9 Holmehurst Avenue  
Catonsville, MD 21228

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

We have further determined that you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in section 509(a)(2).

If your sources of support, or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status and foundation status. Also, you should inform us of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other Federal excise taxes. If you have any questions about excise, employment, or other Federal taxes, please let us know.

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

The box checked in the heading of this letter shows whether you must file Form 990, Return of Organization Exempt from Income Tax. If Yes is checked, you are required to file Form 990 only if your gross receipts each year are normally more than \$25,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. The law imposes a penalty of \$10 a day, up to a maximum of \$5,000, when a return is filed late, unless there is reasonable cause for the delay.

(over)

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you 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 present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Teddy R. Kern", written over the typed name.

Teddy R. Kern  
District Director

Caveat # 1 attached is an integral part of this determination letter.

1. Contribution deductions are allowable to donors only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fund-raising events may not necessarily qualify as deductible contributions, depending on the circumstances. See Revenue Ruling 67-246, published in Cumulative Bulletin 1967-2, page 104, which sets forth guidelines regarding the deductibility, as charitable contributions, of payments made by taxpayers for admission to or other participation in fund-raising activities for charity.
2. Section 170(c)(5) of the Internal Revenue Code provides for the deduction for Federal income tax purposes of contributions to cemetery companies of the type described in section 501(c)(13). To be deductible the contributions must be voluntary and must be made to or for the use of a nonprofit cemetery whose funds are irrevocably dedicated to the care of the cemetery as a whole. A donor may not deduct a contribution made for the perpetual care of a particular lot or crypt. Furthermore, payments made to a cemetery company as a part of the purchase price of a burial lot or crypt, even though irrevocably dedicated to the perpetual care of the cemetery as a whole, are not deductible.
3. Contributions to you are deductible as provided in section 170(c)(1) of the Code, but only if made for exclusively public purposes.
4. Contributions made to you are deductible by the donors only if they are used exclusively for the purposes specified in section 170(c)(4) of the Code.
5. Contributions or gifts to nonprofit volunteer fire companies are for the use of a political subdivision of a State for exclusively public purposes and, therefore, are deductible under section 170(c)(1) of the Code.
6. Since you have not completed one full accounting period of at least eight months, you are not eligible for a definitive ruling concerning your foundation status under section 509(a) of the Code as requested in Part IV, page 4 of Form 1023. However, we have issued an advance ruling as indicated in this letter.
7. You claimed to be an organization described in section 509(a)(1). However, the information you submitted indicates that you receive a substantial part of your support in the form of gross receipts from admissions, sales of merchandise, performance of services, or furnishing facilities, and from membership dues, gifts, grants, and contributions. You therefore qualify as an organization described in section 509(a)(2) and have been classified accordingly.
8. You claimed to be an organization described in section 509(a)(2). However, the information you submitted indicates that you receive a substantial part of your support in the form of gifts, grants, and contributions from the general public and/or from governmental units. You therefore qualify as an organization described in section 509(a)(1) and have been classified accordingly.
9. You claimed to be an organization described in section 509(a)(3). However, the information you submitted indicates that you receive a substantial part of your support in the form of gifts, grants, and contributions from the general public and/or from governmental units. You therefore qualify as an organization described in section 509(a)(1). Section 1.509(a)-6 of the Income Tax Regulations provides that if an organization is described in section 509(a)(1) and also in another paragraph of section 509(a), it will be treated as described in section 509(a)(1). Accordingly, we have classified your organization as one described in section 509(a)(1).
10. You claimed to be an organization described in section 509(a)(1). However, the information you submitted indicates that you receive a substantial part of your support in the form of gross receipts from admissions, sales of merchandise, performance of services or furnishing facilities, and from membership dues, gifts, grants, and contributions. Based on the information, you can reasonably be expected to qualify as an organization described in section 509(a)(2) during the advance ruling period indicated in this letter.
11. You claimed to be an organization described in section 509(a)(2). Based on information you submitted, however, you can reasonably be expected to qualify as an organization described in sections 509(a)(1) and 170(b)(1)(A)(vi). You will, therefore, be treated as a 509(a)(1) organization during the advance ruling period indicated in this letter.
12. You claimed to be an organization described in section 509(a)(3). Based on information you submitted, however, you can reasonably be expected to qualify as an organization described in sections 509(a)(1) and 170(b)(1)(A)(vi). Section 1.509(a)-6 of the Income Tax Regulations provides that if an organization is described in section 509(a)(1) and also in another paragraph of section 509(a), it will be treated as described in section 509(a)(1). Therefore, you will be treated as a 509(a)(1) organization during the advance ruling period indicated in this letter.



13. You claimed to be an organization described in section 509(a)( ). Based on the information furnished, you are an organization described in section 509(a)(1) because you are a \_\_\_\_\_ described in section 170(b)(1)(A)( ). You will be treated as an organization described in section 509(a)(1).
14. You claimed to be a \_\_\_\_\_ foundation described in section 509(a)( ). Based on the information you submitted, you can reasonably be expected to qualify as an organization described in section 509(a)( ). You will be treated as a 509(a)( ) organization during an advance ruling period as indicated in this letter.
15. This determination is based on evidence that your funds are dedicated to the purposes set out in section 501(c)(3) of the Code. To assure your continued exemption, you should maintain records to show that funds are expended only for those purposes. If you distribute funds to other organizations, your records should show whether they are exempt under section 501(c)(3). In cases where the recipient organization is not exempt under section 501(c)(3), there should be evidence that the funds remain dedicated to the required purposes and that they will be used for those purposes by the recipient.
16. If distributions are made to individuals, case histories regarding the recipients should be kept showing names, addresses, purposes of awards, manner of selection, relationship if any to members, officers, trustees or donors of funds to you, so that any and all distributions made to individuals can be substantiated upon request by the Internal Revenue Service. (Revenue Ruling 56-304, C.B. 1956-2, page 306)
17. Your tax exempt status is predicated on the understanding that the results of any research grants made for scientific purposes will be made available to the public on a nondiscriminatory basis.
18. Evidence submitted with your application indicates that you may engage in lobbying activities. Your attention is called to the provisions of section 501(c)(3) of the Code which specifically prohibit lobbying as a substantial part of your activities. If you do not wish to be subject to the test of substantiality under section 501(c)(3), you may elect to be covered under the provisions of section 501(c)(3) of the Code. This section establishes ceiling amounts for lobbying expenditures. The election provided in Section 501(h) of the Code relating to lobbying by public charities may be made for all taxable years beginning after December 31, 1976, by filing a statement with the Internal Revenue Service Center, 11001 Roosevelt Boulevard, Philadelphia, PA 19155 before the close of the first taxable year for which the election is effective.
19. Revenue Procedure 75-50, published in Cumulative Bulletin 1975-2, page 587, sets forth guidelines and recordkeeping requirements for determining whether private schools exempt from tax have racially nondiscriminatory policies as to students. You must comply with this Revenue Procedure to maintain your exempt status.
20. Because you are not an organization described in section 170(c) of the Code, donors may not deduct contributions to you. You should advise your contributors to that effect.
21. For tax years ending before December 31, 1982, you must file Form 990, Return of Organization Exempt from Income Tax, only if your gross receipts each year are normally more than \$10,000. For tax years ending on and after December 31, 1982, you are required to file Form 990 only if gross receipts are normally more than \$25,000, see instructions for the 1982 Form 990. If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. The law imposes a penalty of \$10.00 a day up to a maximum of \$5,000, when a return is filed late, unless there is reasonable cause for the delay.
22. Beginning January 1, 1984, unless specifically excepted, you must pay taxes under the Federal Insurance Contributions Act (Social Security taxes) for each employee who is paid \$100 or more in a calendar year. See Notice 676 attached.