



STATE OF CALIFORNIA

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February 24, 2004

**Re: *Welfare Exemption Requirements - Dedication and Dissolution Clause for  
The \_\_\_\_\_ Foundation for the Advancement of \_\_\_\_\_ (C \_\_\_\_\_) –  
Chartered by Congress***

Dear Mr.

This letter is in response to our October 14, 2003 telephone conversation wherein you had requested reconsideration of our findings in our letter dated June 19, 2003 (attached).

In our June 19, 2003 letter to you, we concluded that C \_\_\_\_\_'s proposed dedication and dissolution language met the requirements of Revenue and Taxation Code section 214, subdivision (a)(6) and section 214.01; however, C \_\_\_\_\_ was not a noncorporate fund or foundation, but was a nonprofit corporation. Thus, in order for C \_\_\_\_\_'s California property to be eligible for the welfare exemption, we opined that the articles of incorporation, and not its bylaws, require amendment to include the acceptable statement of irrevocable dedication and dissolution clause to comply with the requirements in sections 214, subdivision (a) and 214.01.

In response, you requested that we review previously submitted facsimiles of C \_\_\_\_\_'s charter and bylaws updated in November 1996, for purposes of determining C \_\_\_\_\_'s statement of irrevocable dedication could be placed in its bylaws, articles of association, constitution, or its regulations, under the provision for corporations chartered by act of congress. Documents supporting C \_\_\_\_\_'s exempt statuses under Internal Revenue Code section 509(a) and section 23701d have since been provided. In addition, we further researched the legislative history of section 214.01, as well as C \_\_\_\_\_'s contention that it is a corporation chartered by an act of Congress in 1906.

Section 214.01 as amended (in 1968) provides as follows:

For the purposes of Section 214, property shall be deemed irrevocably dedicated to religious, charitable, scientific, or hospital purposes only if a statement of irrevocable dedication to only these purposes is found in the articles of incorporation of the corporation, or in the case of any other fund or foundation, or corporation chartered by an act of Congress, in the bylaws, articles of association, constitution or regulation thereof ...

Based on the language authorizing the alternative method for “funds”, foundations or corporations chartered by an act of Congress,” the irrevocable dedication clause requirement for these organizations does not necessitate amendment to their articles of incorporation (in order to avoid requiring an act of Congress).

As a result of our research, we find that C is a corporation chartered by an act of Congress in 1906 and falls within the requirements of section 214.01 that allows a fund, foundation or corporation chartered by an act of Congress to include a statement of irrevocable dedication in the bylaws, articles of association, constitution, or regulations. Section 214.01 allows amendment of bylaws because amendment at the articles of incorporation would necessitate an act of Congress. Accordingly, we reverse our original findings and conclude that C may amend its bylaws in accordance with sections 214, subdivision (a)(6) and 214.01, to include an acceptable statement of irrevocable dedication and a dissolution clause.

If you have any further questions regarding this matter, please feel free to contact us at your convenience.

Sincerely,

*/s/ Shirley Johnson*

Shirley Johnson  
Tax Counsel

SJJ:lg

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