



U. S. TREASURY DEPARTMENT  
INTERNAL REVENUE SERVICE  
DISTRICT DIRECTOR

Post Office Box 737  
Atlanta 1, Georgia

MAR 11 1963

IN REPLY REFER TO  
Form 2955  
434:HBS:rh  
ATL:EO:1963:17

Southside Communities Fire Protection, Inc.  
P. O. Box 6246, Station C  
Savannah, Georgia

INTERNAL REVENUE CODE
SECTION 501(C)( 4 )
ACCOUNTING PERIOD END- ING August 31

Gentlemen:

Based upon the evidence submitted, it is held that you are exempt from Federal income tax under the provisions of the Internal Revenue Code section indicated above. Any questions concerning taxes levied under other subtitles of the Code should be submitted to us.

You are not required to file Federal income tax returns so long as you retain an exempt status, unless you are subject to the tax on unrelated business income imposed by section 511 of the Code and are required to file Form 990-T for the purpose of reporting unrelated business taxable income. Any changes in your character, purposes or method of operation should be reported immediately to this office. You should also report any change in your name or address. You are required to file an information return, Form 990, annually, after the close of your accounting period, indicated above.

This is a determination letter.

Very truly yours,

E. W. McCabe  
Acting District Director

## Subpart C—Definitions and Special Rules

## Section

150. Definitions and special rules.

## § 150. Definitions and special rules.

## (a) General rule.—For purposes of this part—

- (1) Bond.—The term "bond" includes any obligation.
- (2) Governmental unit not to include federal government.—The term "governmental unit" does not include the United States or any agency or instrumentality thereof.
- (3) Net proceeds.—The term "net proceeds" means, with respect to any issue, the proceeds of such issue reduced by amounts in a reasonably required reserve or replacement fund.
- (4) 501(c)(3) organization.—The term "501(c)(3) organization" means any organization described in section 501(c)(3) and exempt from tax under section 501(a).
- (5) Ownership of property.—Property shall be treated as owned by a governmental unit if it is owned on behalf of such unit.
- (6) Tax-exempt bond.—The term "tax-exempt" means, with respect to any bond (or issue), that the interest on such bond (or on the bonds issued as part of such issue) is excluded from gross income.

## (b) Change in use of facilities financed with tax-exempt private activity bonds.—

## (1) Mortgage revenue bonds.—

(A) In general.—In the case of any residence with respect to which financing is provided from the proceeds of a qualified mortgage bond or qualified veterans' mortgage bond, if there is a continuous period of at least 1 year during which such residence is not the principal residence of at least 1 of the mortgagors who received such financing, then no deduction shall be allowed under this chapter for interest on such financing which accrues on or after the date such period began.

(B) Exception.—Subparagraph (A) shall not apply to the extent the Secretary determines that its application would result in undue hardship and that the failure to meet the requirements of subparagraph (A) resulted from circumstances beyond the mortgagor's control.

## (2) Qualified residential rental projects.—In the case of any project for residential rental property—

(A) with respect to which financing is provided from the proceeds of any private activity bond which, when issued, purported to be a tax-exempt bond described in paragraph (7) of section 142(a), and

(B) which does not meet the requirements of section 142(d),

no deduction shall be allowed under this chapter for interest on such financing which accrues during the period beginning on the 1st day of the taxable year in which such project fails to meet such requirements and ending on the date such project meets such requirements.

## (3) Qualified 501(c)(3) bonds.—

(A) In general.—In the case of any facility with respect to which financing is provided from the proceeds of any private activity bond which, when issued, purported to be a tax-exempt qualified 501(c)(3) bond, if any portion of such facility—

(i) is used in a trade or business of any person other than a 501(c)(3) organization or a governmental unit, but

(ii) continues to be owned by a 501(c)(3) organization,

then the owner of such portion shall be treated for purposes of this title as engaged in an unrelated trade or business (as defined in section 513) with respect to such portion. The amount of gross income attributable to such portion for any period shall not be less than the fair rental value of such portion for such period.

(B) Denial of deduction for interest.—No deduction shall be allowed under this chapter for interest on financing described in subparagraph (A) which accrues during the period beginning on the date such facility is used as described in subparagraph (A)(i) and ending on the date such facility is not so used.

## (4) Certain exempt facility bonds.—

(A) In general.—In the case of any facility with respect to which financing is provided from the proceeds of any private activity bond to which this paragraph applies, if such facility is not used for a purpose for which a tax-exempt bond could

be issued on the date chapter for interest on the date such facility used.

(B) Bonds to which activity bond which, w bond described in a p

(5) Facilities required to tions.—If—

(A) financing is prov private activity bond w

(B) such facility is re organization as a condit

(C) such facility is no then no deduction shall be which accrues during the per ending on the date such fac

(c) Exception and special r subsection (b)—

(1) Exception.—Any use which are not required to be taken into account.

(2) Treatment of amounts of a facility are not interest, interest but only to the exte of interest accrued on the b

(3) Use of portion of faci of the facility, only the inte shall be taken into account b

(4) Cessation with respect part but not all of the faci accruing on the financing all

(5) Regulations.—The Sec sary or appropriate to carry

(d) Qualified scholarship fun

(1) Treatment as State or be treated as a State or local

(2) Qualified scholarship funding bond" means a bond

(A) is a corporation no purpose of acquiring stu of 1965, and

(B) is organized at the thereof or is requested to and required by its corp devote any income (after reserves for the same) to over any income to the U

(c) Bonds of certain volunteer 103—

(1) In general.—A bond of a political subdivision of a St

(A) such department is area within the jurisdic

(B) such bond is issue proceeds of which are to l or improvement of a fireh

(2) Qualified volunteer fire "qualified volunteer fire depart State, any organization—

(A) which is organized medical services for perso subdivision) which is not

be issued on the date of such issue, no deduction shall be allowed under this chapter for interest on such financing which accrues during the period beginning on the date such facility is not so used and ending on the date such facility is so used.

(B) Bonds to which paragraph applies.—This paragraph applies to any private activity bond which, when issued, purported to be a tax-exempt facility bond described in a paragraph (other than paragraph (7)) of section 142(a).

(5) Facilities required to be owned by governmental units or 501(c)(3) organizations.—If—

(A) financing is provided with respect to any facility from the proceeds of any private activity bond which, when issued, purported to be a tax-exempt bond,

(B) such facility is required to be owned by a governmental unit or a 501(c)(3) organization as a condition of such tax exemption; and

(C) such facility is not so owned,

then no deduction shall be allowed under this chapter for interest on such financing which accrues during the period beginning on the date such facility is not so owned and ending on the date such facility is so owned.

(c) Exception and special rules for purposes of subsection (b).—For purposes of subsection (b)—

(1) Exception.—Any use with respect to facilities financed with proceeds of an issue which are not required to be used for the exempt purpose of such issue shall not be taken into account.

(2) Treatment of amounts other than interest.—If the amounts payable for the use of a facility are not interest, subsection (b) shall apply to such amounts as if they were interest but only to the extent such amounts for any period do not exceed the amount of interest accrued on the bond financing for such period.

(3) Use of portion of facility.—In the case of any person which uses only a portion of the facility, only the interest accruing on the financing allocable to such portion shall be taken into account by such person.

(4) Cessation with respect to portion of facility.—In the case of any facility where part but not all of the facility is not used for an exempt purpose, only the interest accruing on the financing allocable to such part shall be taken into account.

(5) Regulations.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection and subsection (b).

(d) Qualified scholarship funding bond.—For purposes of this part and section 103—

(1) Treatment as State or local bond.—A qualified scholarship funding bond shall be treated as a State or local bond.

(2) Qualified scholarship funding bond defined.—The term "qualified scholarship funding bond" means a bond issued by a corporation which—

(A) is a corporation not for profit established and operated exclusively for the purpose of acquiring student loan notes incurred under the Higher Education Act of 1965, and

(B) is organized at the request of the State or 1 or more political subdivisions thereof or is requested to exercise such power by 1 or more political subdivisions and required by its corporate charter and bylaws, or required by State law, to devote any income (after payment of expenses, debt service, and the creation of reserves for the same) to the purchase of additional student loan notes or to pay over any income to the United States.

(e) Bonds of certain volunteer fire departments.—For purposes of this part and section 103—

(1) In general.—A bond of a volunteer fire department shall be treated as a bond of a political subdivision of a State if—

(A) such department is a qualified volunteer fire department with respect to an area within the jurisdiction of such political subdivision, and

(B) such bond is issued as part of an issue 95 percent or more of the net proceeds of which are to be used for the acquisition, construction, reconstruction, or improvement of a firehouse or firetruck used or to be used by such department.

(2) Qualified volunteer fire department.—For purposes of this subsection, the term "qualified volunteer fire department" means, with respect to a political subdivision of a State, any organization—

(A) which is organized and operated to provide firefighting or emergency medical services for persons in an area (within the jurisdiction of such political subdivision) which is not provided with any other firefighting services, and

(B) which is required (by written agreement) by the political subdivision to furnish firefighting services in such area.

(Added Pub.L. 99-514, Title XIII, § 1301(b), Oct. 22, 1986, 100 Stat. —.)

References in Text. The Higher Education Act of 1965, referred to in subsec. (d)(2)(A), is Pub.L. 89-329, Nov. 8, 1965, 79 Stat. 1219, as amended, which is classified principally to chapter 28 (section 1001 et seq.) of Title 20, Education. For complete classification of this Act to the Code, see Short Title note set out under section 1001 of Title 20 and Tables volume.

Effective Date. Section applicable to bonds issued after Aug. 15, 1986, except as otherwise provided, see sections 1311 to 1318 of Pub.L. 99-514, set out as a note under section 141 of this title.

Legislative History. For legislative history and purpose of Pub.L. 99-514, see 1986 U.S. Code Cong. and Adm. News, p. 4075.

#### PART V—DEDUCTIONS FOR PERSONAL EXEMPTIONS

Section	Section
151. Allowance of deductions for personal exemptions.	152. Dependent defined.
	153. Cross references.

#### § 151. Allowance of deductions for personal exemptions

(a) Allowance of deductions.—In the case of an individual, the exemptions provided by this section shall be allowed as deductions in computing taxable income.

(b) Taxpayer and spouse.—An exemption of the exemption amount for the taxpayer, and an additional exemption of the exemption amount for the spouse of the taxpayer if a joint return is not made by the taxpayer and his spouse, and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(c) Additional exemption for dependents.—

(1) In general.—An exemption of the exemption amount for each dependent (as defined in section 152)—

(A) whose gross income for the calendar year in which the taxable year of the taxpayer begins is less than the exemption amount, or

(B) who is a child of the taxpayer and who (i) has not attained the age of 19 at the close of the calendar year in which the taxable year of the taxpayer begins, or (ii) is a student.

(2) Exemption denied in case of certain married dependents.—No exemption shall be allowed under this subsection for any dependent who has made a joint return with his spouse under section 6013 for the taxable year beginning in the calendar year in which the taxable year of the taxpayer begins.

(3) Child defined.—For purposes of paragraph (1)(B), the term "child" means an individual who (within the meaning of section 152) is a son, stepson, daughter, or stepdaughter of the taxpayer.

(4) Student defined.—For purposes of paragraph (1)(B)(ii), the term "student" means an individual who during each of 5 calendar months during the calendar year in which the taxable year of the taxpayer begins—

(A) is a full-time student at an educational organization described in section 170(b)(1)(A)(ii); or

(B) is pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of an educational organization described in section 170(b)(1)(A)(ii) or of a State or political subdivision of a State.

(5) Certain income of handicapped dependents not taken into account.—

(A) In general.—For purposes of paragraph (1)(A), the gross income of an individual who is permanently and totally disabled shall not include income attributable to services performed by the individual at a sheltered workshop if—

(i) the availability of medical care at such workshop is the principal reason for his presence there, and

(ii) the income arises solely from activities at such workshop which are incident to such medical care.

(B) Sheltered workshop defined.—For purposes of subparagraph (A), the term "sheltered workshop" means a school—

(i) which provides special instruction or training designed to alleviate the disability of the individual, and

(ii) which is operated by—

#### INTERNAL REVENUE

(I) an organization under section 501(a),

(II) a State, a possession of any of the foreign

(C) Permanent and total disability.—An individual who is permanently and totally disabled would be so treated under par-

(d) Exemption amount.—For purposes of this section—

(1) In general.—Except as provided in this subsection, the term "means—

(A) \$1,900 for taxable years

(B) \$1,950 for taxable years

(C) \$2,000 for taxable years

(2) Exemption amount disallowed for an individual with respect to whom another taxpayer for a taxable year individual's taxable year begins, the exemption amount for such individual's taxable year shall be—

(3) Inflation adjustment for year beginning in a calendar year after 1987.—(1)(C) shall be increased by an amount which is—

(A) such dollar amount, multiplied by the cost-of-living adjustment for "calendar year 1987" in such year in which the taxable year begins, and

(B) the cost-of-living adjustment for "calendar year 1987" in such year in which the taxable year begins.

(Aug. 16, 1954, c. 736, 68A Stat. 42; Dec. 30, 1954, Title IX, § 941(b), 83 Stat. 675, 726; Dec. 10, 1976, Title IX, § 941(b), 90 Stat. 1041; Oct. 4, 1976, Pub.L. 94-455, Title XIX, § 1901(a), 90 Stat. 1717; Aug. 13, 1981, Pub.L. 97-123, Title IV, § 426(a), 93 Stat. 804; Oct. 22, 1986, Pub.L. 99-514, § 1301(b)(3), 100 Stat. —.)

Effective Date of 1986 Amendment. Amendment of this section by section 103 of Pub.L. 99-514 effective as if included in the provisions of section 151(a) of Pub.L. 99-514, set out as a note under section 1 of this title.

Amendment by sections 1801 to 1880 of Pub.L. 99-514 effective as if included in the provisions of section 1 of this title.

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