



Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities  
PO Box 2508  
Cincinnati, OH 45201

Child Care

ND

**Date:**

March 5, 2018

**Employer ID number:**

81-4244882

**Person to contact / ID number:**

Joseph J Laux

ID# 31-08196

**Contact telephone number:**

513-975-8414

**Contact fax number:**

855-296-9750

**Response due date:**

April 2, 2017

Dear Applicant:

**Why you are receiving this letter**

We need more information to consider your determination letter request.

**What you must do**

Please provide the information requested and follow the submission instructions. You must submit your response by the due date above.

**If you don't respond**

If you don't respond to the Information Request by the due date, or don't provide all the requested information, we may close your case without making a determination. If so, we won't refund any user fee you paid, and you'll need to submit a new request and any applicable user fee payment if you want us to reconsider your request. Alternatively, if you haven't established that you meet the requirements for exemption for the subsection requested, we may make an adverse determination.

[In addition, if you don't provide the requested information by the due date, you may lose your rights to get a declaratory judgment. Under Internal Revenue Code (IRC) Section 7428(b)(2), you must exhaust all administrative remedies available to you within the IRS before a court will issue a declaratory judgment about your exempt status. This requirement means you must take all reasonable steps in a timely manner to secure a determination under IRS procedures, including providing the information we need to act on your request. If you fail to timely provide the requested information, you may lose your rights to obtain a declaratory judgment under Section 7428.

**Additional information**

If you have questions or need additional time to respond, call me at the number at the top of this letter. If you have concerns after speaking with me, you can call my supervisor Jovonnie Lewis at 513-975-6424.

Letter 1312 (Rev. 4-2017)  
Catalog Number 35183W

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit [taxpayeradvocate.irs.gov](http://taxpayeradvocate.irs.gov) or call 1-877-777-4778.

Sincerely,

*Joseph J Laux*

Joseph J Laux  
Exempt Organizations Specialist

Enclosure:  
Information Request

**Information Request  
First Request**

**Information we need to make our determination**

1. Please provide a breakdown of your other liabilities shown in support of page 10 of Form 1023.
2. You submitted Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, requesting recognition of exemption under IRC Section 501(a) as an organization described in Section 501(c)(3). From the information you provided, it is not clear whether you qualify under this section of the IRC. We need additional information before we can process your application and make a determination.

To be recognized under Section 501(c)(3), an organization must operate exclusively for the purposes described in Section 501(c)(3). The purposes described are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to animals. Note that the term "charitable" is interpreted very broadly.

You can find additional information about all exempt organizations on the IRS website at [www.irs.gov/charities](http://www.irs.gov/charities), and in IRS Publication 557, *Tax-Exempt Status for Your Organization*.

- If you want to pursue recognition as an exempt organization described in Section 501(c)(3), please submit additional information showing how you are organized and operated exclusively for the purposes described in Section 501(c)(3).
- If you decide that you qualify for recognition as an exempt organization described in a paragraph of Section 501(c) other than paragraph (c)(3), you may want to complete and return Form 1024, *Application for Recognition of Exemption Under Section 501(a)*, which is available on the IRS website at [www.irs.gov/formspubs](http://www.irs.gov/formspubs). A new user fee is not required. Although supporting information previously furnished need not be duplicated, you must provide any necessary additional information required for the application, including the applicable schedule to Form 1024.
- If you decide not to pursue recognition as an exempt organization at this time, please submit a written statement indicating your intention. We will then close your case, and we won't refund any user fee you paid.

**How to submit the requested information (do's and don'ts)**

- **Don't include** any personal identifying information like bank account or social security numbers that could result in identity theft or other adverse consequences if publicly disclosed. If we approve your application for exemption, we're generally required by law to make the application and the information you submit in response to this letter available for public inspection. If you have questions about the public inspection of your request or other documents, please call me.
- **Do include** the following declaration with your response, signed by one of your principal officers or directors:

**Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and**

**belief, the request or modification contains all the relevant facts relating to the request, and such facts are true, correct, and complete.**

- **Do attach** a copy of the cover letter to your response. This enables us to quickly and accurately associate your response with your case file.
- **Do fax or mail** your response to:

**Fax:**  
855 296 9750  
ATT: Joseph J Laux  
Room 4511  
Group 7828

**US Mail:**  
Internal Revenue Service  
Exempt Organizations  
P. O. Box 2508  
Cincinnati, OH 45201  
ATT: Joseph J Laux  
Room 4511  
Group 7828

**Street Address (delivery service):**  
Internal Revenue Service  
Exempt Organizations  
550 Main St.  
Cincinnati, OH 45201  
ATT: Joseph J Laux  
Room 4511  
Group 7828

- **Don't provide** multiple copies of your response. Providing more than a single response may result in unnecessary delays in processing your response. We must process, assign, and review each piece of correspondence submitted (whether fax or mail).
- **Do allow** adequate processing time if you want to call to verify we received your response. If you fax your response, allow a minimum of three workdays from the day you fax it. If you mail your response, allow a minimum of seven workdays from the day you mail it.

Child Care  
EIN

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Internal Revenue Service  
Tax Exempt and Government Entities  
PO Box 2508  
Cincinnati OH 45201

March 29, 2018

Dear Mr. Joseph J. Laux:

Following are responses to the request for more information as stated in the cover letter:

- 1) In response to your request for a further breakdown of liabilities, I have attached a balance sheet from tax year 2017, as well as a budget for 2018, and a recent income statement. As we have now been in operation for 10 months, we have a better picture of assets, liability and equity than we did when we first submitted our 501c3 application.
- 2) In response to your question regarding the intent of our application, we are pursuing recognition as an exempt organization as described in Section 501c3, (*not* 501a).

We are organized in the state of North Dakota as a non-profit corporation exclusively for educational purposes, specifically operation of nonprofit child care facilities that are open to the public and free from discrimination. According to IRS Publication 557, Chapter 3, Page 21, educational purposes includes "providing care of children away from their homes if substantially all the care is to enable individuals (the parents) to be gainfully employed and the services are available to the general public."

Our child care services are available to the general public. Our bylaws, handbook and website include a statement of nondiscrimination, and we welcome families that use financial assistance for child care. The children's parents are employed at local schools, hospitals, clinics, power plants, coal mines, nursing homes, banks, and other businesses and industries that are necessary to keep small communities and rural North Dakota vibrant.

A volunteer board of directors composed of local business leaders oversees the strategic direction of the child care facility. It is managed by a qualified program manager with more than 20 years of professional child care experience.

As of March 2018, the child care center had 68 children enrolled, and 16 employees. I've attached an excerpt of the handbook, which describes the experience families can expect at our child care center. The community of \_\_\_\_\_ as a whole is supportive of the facility.

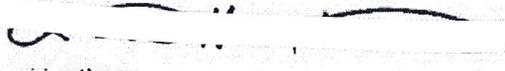
Child Care

EIN

As described in our original application, seven local businesses lent their expertise, manual labor, and financial contributions to get the child care center established and assist with initial capital costs. Some committed financial contributions for up to five years to ensure financial stability of the child care center, including facility remodel and repairs. For example, in 2018, these financial contributions are designated to replace carpets and main entrance doors, as well as purchase a new furnace and industrial vacuum cleaners.

The board believes that a federal tax exemption is essential to the long-term financial viability of a child care center. The child care center offers a critically needed community service but the costs to provide these services make cash flow difficult. Child-to-caregiver ratios in a competitive labor market make labor costs high. Local food costs are also high in the area. We manage the child care center conservatively from a financial perspective, and cash flow is still tight. Our goal is to be able to break even over the long term. We also hope that a tax-exempt status will allow for the community to make tax-deductible donations in times where we need more funds for improvements or repairs.

Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or modification contains all the relevant facts relating to the request, and such facts are true, correct and complete.



Board president

Child Care

Attachments:

- 2017 Balance Sheet
- March 2018 Income Statement
- 2018 Budget
- Amended and Restated Articles of Incorporation
- Amended and Adopted Bylaws
- Parent Handbook excerpt