

Internal Revenue Service

Department of the Treasury

**P. O. Box 2508
Cincinnati, OH 45201**

Date: July 16, 2001

Person to Contact:
Richard Owens 31-00913
Customer Service Representative

State of Hawaii Department of Education
PO Box 2360
Honolulu, HI 93804-2360

Toll Free Telephone Number:
8:00 a.m. to 9:30 p.m. EST
877-829-5500

Fax Number:
513-263-3756

Employer Identification Number:
99-0266482

Dear Sir:

This is in response to your request for information concerning your organization's exemption from Federal income tax.

As an instrumentality of a governmental unit, your organization is not subject to Federal income tax under the provisions of Section 115(1) of the Internal Revenue Code of 1954, which states in part:

"Gross income does not include income derived from the exercise of any essential governmental function and accruing to a State or any political subdivision thereof ..."

Because your organization is an instrumentality of a governmental unit, its income is not taxable as explained above. Contributions to instrumentalities are deductible under Section 170(c)(1) of the Code.

Your organization is not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely,



for John E. Ricketts, Director, TE/GE
Customer Account Services