

Q 7916—Exempt Organizations

34 Am Jur 2d

The beneficiaries of a charity may make contributions to it, but the organization cannot be an instrument for distributing additional compensation and qualify for exemption as a charity.¹

1. Regs. § 1.501(c)(3)-1(a)(2).
2. *Harrison v. Barker Annuity Fund*, 90 F. (2d) 285.
3. *Watson v. U.S.*, 355 F. (2d) 269.
4. *Duffy v. Birmingham*, 190 F. (2d) 738.

Q 7916. Educational organizations. The regs say that education is the instruction or training of the individual to improve or develop his capabilities or the instruction of the public on subjects useful to the individual and beneficial to the community.¹ The organization need not be a formal institution such as a college; it may promote cultural appreciation, for example, on an informal basis.² Nor will the organization fail to qualify because of incidental entertainment or recreation especially where these activities promote interest in the organization's educational purposes.³

The regs give these examples of tax-exempt educational organizations.⁴

- ... Any school, whether primary, secondary, a college or university, professional or trade with a regular faculty and a student body regularly in attendance
 - ... A correspondence school
 - ... An organization which offers lectures and discussions, including broadcasts and telecasts
 - ... Museums, zoos, plantariums, symphony orchestras and the like.
- These organizations have also been held to be tax exempt.
- ... Organizations which operated a touring repertory theater company⁵ or which encouraged interest in repertory theater without actually operating one.⁶
 - ... Organizations for promotion of group harmony singing;⁷ of an appreciation of jazz as an American art form;⁸
 - ... An organization devoted to improving the quality of radio and TV programs and raising the public's standards.⁹
 - ... Organizations devoted to teaching sailboat racing¹⁰ and other sports.¹¹

Auxiliary organizations. An organization may be exempt because it performs a function of an educational institution. Exempt organizations of this sort have:

- ... Published a law journal for a university.¹²
- ... Made low-interest loans to students.¹³

- ... Operated a campus bookstore and restaurant under joint faculty-student control.¹⁴
- ... Run a high school interscholastic athletic association.¹⁵

... Awarded fellowships to the undergraduate members of a fraternity.¹⁶

... Organized an alumni association under the control of the university's administration.¹⁷

... Made scholarships available to the employees or children of employees of business or group of businesses¹⁸ provided there is no discrimination in favor of the owners or their children.¹⁹

... Provided post-graduate training for doctors through seminars and lectures.²⁰

Exemption has been denied to:

- ... fraternities, although they may be exempt as social clubs.²¹
- ... an undergraduate discussion club whose members were chosen on the basis of compatibility, rather than scholarship.²²
- ... schools run to produce a profit for the operators and owners.²³

1. Regs. § 1.501(c)(3)-1(d)(3)(i).
2. I.T. 1475, CB 1-2, 184 (1922).
3. I.T. 3330, CB 1939-2, 185.
4. Regs. § 1.501(c)(3)-1(d)(3)(ii).
5. Rev. Rul. 64-175, CB 1964-1, 185.
6. Rev. Rul. 64-174, CB 1964-1, 183.
7. Rev. Rul. 66-46, IRB 1966-9, 9.
8. Rev. Rul. 65-271, CB 1965-2, 161.
9. Rev. Rul. 64-192, CB 1964-2, 136.
10. Rev. Rul. 64-275, IRB 1964-41, 15.
11. Rev. Rul. 65-2, CB 1965-1, 227.
12. Rev. Rul. 63-235, CB 1963-2, 210.
13. Rev. Rul. 61-57, CB 1961-1, 191; Rev. Rul. 63-220, CB 1963-2, 208.
14. Rev. Rul. 58-194, CB 1958-1, 240, revoking I.T. 2636, CB XI-2, 102 (1932).
15. Rev. Rul. 55-587, CB 1955-2, 261.
16. Rev. Rul. 56-403, CB 1956-2, 307.
17. Rev. Rul. 56-486, CB 1956-2, 309; Rev. Rul. 60-143, CB 1960-1, 192, revoking G.C.M. 22116, CB 1940-2, 100.
18. *Chase, T.C. Memo. 1960-49; Gimbel v. Com.*, 34 F. (2d) 780; *Sibley, Extr.*, 16 BTA 913; *T. J. Moss Tie Co.*, 18 T.C. 188, pet. for rev. denied 201 F. (2d) 512.
19. *Charleston Chaut. Co. v. U.S.*, 203 F. Supp. 126.
20. Rev. Rul. 65-298, CB 1965-2, 163.
21. Rev. Rul. 64-118, CB 1964-1, 182.
22. Rev. Rul. 64-117, CB 1964-1, 180.
23. *Birmingham Business College, Inc. v. Com.*, 276 F. (2d) 476.

Q 7917. Professional organizations. Bar associations are not exempt as charities, scientific or educational organizations, according to the Treasury, even though they maintain a library and an auditorium for discussion of legal topics.¹ However, the Second Circuit ruled that contributions to bar associations were deductible as gifts to charity for estate tax purposes² and the estate tax provision is similar to the income tax provision. The Treasury has ruled that American Bar Foundation³ and the American Bar Association Fund for Public Education⁴ are exempt educational organizations.