

Rev. Rul. 68-165, 1968-1 C.B. 253

A domestic nonprofit corporation (composed of educational, civic, business, and other groups) that joins with a counterpart group in a country in Latin America to promote student and cultural exchanges and to provide technical and material assistance for self-help projects designed to improve the living conditions of underprivileged people in Latin America may be exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

Advice has been requested whether the nonprofit corporation described below qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization was formed by civic and professional organizations, businesses, schools, churches, and private individuals of a particular state of the United States to work directly with village groups, jungle colonies, and other groups in a specific country in Latin America for the purpose of assisting underprivileged people to improve their living conditions through educational and self-help programs. Partners of the Alliance, an office within the United States Agency for International Development, provides coordination for this nongovernment, private sector program.

The organization's activities include furnishing tools, educational materials, and other supplies; providing agricultural assistance; giving advice and training necessary to administer health and welfare programs; promoting student and cultural exchange programs; and undertaking studies of educational needs, transportation problems, and water resources. These activities, which are encouraged and supervised by Peace Corps and Agency for International Development volunteers, are essentially self-help projects instituted on the local level. The governments of the Latin American countries receive no direct financial aid through these activities.

This is a two-way program in that citizens of the United States also benefit by participation in the student and cultural exchange programs.

Income is derived from contributions, and no charges are made for services rendered by the organization.

Section 501(c)(3) of the Code provides that an organization organized and operated exclusively for charitable or educational purposes is exempt from Federal income tax.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides that the term 'charitable' as used in section 501(c)(3) of the Code includes the relief of the poor and distressed or of the underprivileged and promotion of social welfare by organizations designed to accomplish such purposes.

Section 1.501(c)(3)-1(d)(3) of the regulations defines the term 'educational' as relating to the instruction or training of the individual for the purpose of improving or developing his capabilities or the instruction of the public on subjects useful to the individual and beneficial to the community.

Promoting student and cultural exchanges; providing advice and training in administering various social welfare programs; and undertaking studies of, and water solutions to, agricultural, educational, transportation, and water resource problems improve the capabilities of the individual and instruct the public on subjects beneficial to the community. Therefore, these activities are educational. Furnishing the tools and material to help improve living conditions of the underprivileged is charitable within the meaning of section 501(c)(3) of the Code. Accordingly, the organization qualifies for exemption from Federal income tax under section 501(c)(3) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must (in order to establish exemption under section 501(c)(3) of the Code) file an application on Form 1023, Exemption Application, with the District Director of Internal Revenue for the internal revenue district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.