

An organization which raises funds to be used in travel and other activities to interview and persuade prospective students with outstanding athletic ability to attend a particular university, and which is not an integral part of such institution, is not exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954 as an educational organization.

Advice has been requested whether an organization which raises funds to be used principally in travel and other activities necessary to interview and persuade prospective students with outstanding athletic ability to attend a particular university, and which is not an integral part of such institution, is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954 as an educational organization.

The instant organization was incorporated as a nonprofit, charitable and educational organization for the purpose of promoting the education of young men and women interested in college athletics and in receiving a college education. Members of the organization hold meetings in their respective towns to which interested athletes are invited to hear addresses and discussions by university coaches and officials. During the year, representatives of the university make trips throughout the area to interview prospective students and to endeavor to induce them to attend the university.

The travel expenses of these individuals, including train and airplane tickets, hotel accommodations, meals, entertainment, etc., and the travel expenses of prospective athletes when brought to the university, and other items incident to travel and entertainment, are paid by the organization. The university does not in any way finance or supervise the activities of the organization.

Section 501(c)(3) of the Code of 1954, which corresponds to section 101(6) of the Code of 1939, provides for the exemption of:

Corporations * * * or foundations, organized and operated exclusively for religious * * * or educational purposes * * * no part of the net earnings of which inures to the benefit of any private shareholder or individual * * *.

The instant organization is not an integral part of the university and is not financed or supervised by such institution. Its principal activity is to persuade students of outstanding athletic ability to attend the university. These activities are not properly classifiable as exclusively educational within the purview of section 501(c)(3), supra.

Accordingly, it is held that an organization which raises funds to be used in travel and other activities to interview and persuade prospective students with outstanding athletic ability to

attend a particular university, and which is not an integral part of such institution, is not exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954 as an educational organization.