
A corporation organized for the purpose of operating a book and supply store and a cafeteria and restaurant on the campus of a State university primarily for the convenience of its student body and the members of its faculty, no part of the earnings of which inures to the benefit of any private shareholder or individual, may be considered to be operated exclusively for educational purposes and may qualify for exemption from Federal income tax under the provisions of section 501(a) of the Internal Revenue Code of 1954 as an organization described in section 501(c)(3).

I.T. 2636, C.B. XI-2, 102 (1932), revoked.

Advice has been requested whether a corporation organized for the purposes hereinafter set forth will be exempt from Federal income tax.

The corporation was organized, without capital stock, to conduct a general book and supply store, dealing in books, magazines, stationery, student supplies, emblems, and sporting goods, and to operate a cafeteria and restaurant on the campus of a State university for the convenience of its student body and the members of its faculty. It was authorized to receive and disburse such funds as may be collected in accordance with the laws of the State and with the approval of the State Director of Education.

The corporation's activities are conducted on the campus of the university in building owned by the State and for which a nominal rental is paid. It is controlled by a board of directors composed of the president of the university, three elected faculty members and three elected student members. Membership in the corporation consists of all regular employees of the university and students who have purchased a membership for a nominal fee. The bylaws of the corporation provide that none of the profits or assets of the corporation shall ever be distributed to the members but shall be used solely for the benefit of the students and faculty of the university.

The facilities of the corporation are available to members as well as to non-members in order that all students at the university are afforded an opportunity to obtain their academic supplies without undue inconvenience. However, non-members are required to pay a small service charge on book store purchases. The services of the corporation are used almost exclusively by persons connected with the university.

Paragraph 3 of section 501(c) of the Internal Revenue Code of 1954, which describes certain organizations exempt from tax under section 501(a), provides in part that corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net
earnings of which inures to the benefit of any private shareholder or individual, shall be exempt from Federal taxation. In order to be exempt under this provision of law, an organization must be organized and operated exclusively for one or more of the specified purposes.

In the instant case the corporation was organized for the purpose of furthering the educational program of the university through the medium of operating facilities for the convenience of the student body of the university and the members of its faculty. Any profits of the corporation are to be used solely for the benefit of the students and faculty of the university. Since the corporation is controlled by and serves almost exclusively the members of the faculty and student body and since it is performing functions for their benefit and convenience and in furtherance of the educational program of the university, it is for all intents and purposes an integral part of the university. Therefore, it is apparent that it is a corporation organized and operated exclusively for educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1954.

In view of the foregoing, since the instant corporation is organized for the purpose of operating a book and supply store and a cafeteria and restaurant on the campus of a State university primarily for the convenience of its student body and the members of its faculty, and no part of its earnings inures to the benefit of any private shareholder or individual, it is held that it is operated exclusively for educational purposes and is exempt from Federal income tax under the provisions of section 501 of the Internal Revenue Code of 1954 as an organization described in section 501(c)(3). However, an organization is not exempt from tax merely because it is not organized and operated for profit. In order to establish its exemption, it is necessary that every organization claiming exemption file an appropriate application form 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. An organization claiming exemption under section 501(c)(3) shall file its application on Form 1023, Exemption Application. See section 39.101-1 of Regulations 118 made applicable to the Internal Revenue Code of 1954 by Treasury Decision 6091, C.B. 1954-2, 47.

I.T. 2636, C.B. XI-2, 102 (1932), holding that a corporation conducting a students' store on the campus of a university, no part of the net earnings of which inure to the benefit of any private shareholder or individual, is not operated exclusively for religious, charitable, scientific, literary, or educational purposes is hereby revoked.