

The membership of a corporation is composed of war veterans of the armed services of the United States organized for the purpose of conducting the normal activities attendant to the operation of a war veterans' organization. The corporation has the exclusive right to operate a bathhouse and bathing beach and to sell miscellaneous refreshments at a lake resort. The operation of the concession involves the rental of boats, swim suits, and towels; the operation of the bathing and bathhouse facilities; and the sale of bait, fishing licenses, food, beverages, and other miscellaneous merchandise. The major portion of its net receipts is derived from its operation of the concession and is expended in furtherance of its various benevolent purposes and in liquidating its indebtedness on property which it uses in the conduct of its organizational functions. The organization's activities, other than those incident to the concession, include participation in various civic and charitable drives, organizational welfare activities, free classes in swimming instruction, free swimming for a limited number of children (whose transportation is also furnished without charge), and the free use of the organization's hall for a number of charitable and civic activities.

Held, that inasmuch as the corporation is engaged in an activity which is ordinarily carried on for profit and a portion of its income is used for purposes other than social welfare, it is not operated exclusively for the promotion of social welfare within the meaning of section 501(c)(4) of the Internal Revenue Code of 1954 even though, in connection with such business activity, the corporation furnishes some free services of a civic nature. Accordingly, the corporation is not entitled to exemption from Federal income tax under section 501 of the Code.