

An organization created to encourage greater participation in governmental and political affairs is not exempt from Federal income tax as an educational organization described in section 501(c)(3) of the Internal Revenue Code of 1954. However, such an organization may qualify for exemption under section 501(c)(4) of the Code as an organization operated exclusively for the promotion of social welfare.

Advice has been requested whether a corporation organized for the purposes hereinafter set forth will be exempt from Federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code of 1954.

The instant organization was created under state law to conduct, on a nonprofit basis, projects solely for educational purposes in the field of government. The bylaws provide that no substantial part of the organization's activities shall be devoted to carrying on propaganda or otherwise attempting to influence legislation; that the organization shall not participate or intervene in any political campaign on behalf of any candidate for public office; and that no part of the net earnings of the organization will inure to the benefit of any private individual.

The organization states that it is conducting a nonpartisan educational program to stimulate people to a greater degree of interest and participation in governmental and political affairs. It develops educational materials designed to create greater interest in those affairs and works toward achieving better government through better politics. Primary emphasis is placed upon improving the degree and quality of participation in government by the American business community.

Activities of the corporation take the form of seminars and workshops held on the campuses of colleges and universities of the country. The subject matter of these seminars relates to the technical aspects of the political system under which the American government operates. All lecturing personnel, including academic political scientists and political leaders from the local and national levels, are required to maintain certain technical standards, and there is no advocacy of any particular political group. Seminars and workshops are moderated by permanent staff personnel of the organization in order to prevent the program from becoming partisan in character.

Various publications of the corporation are distributed throughout the United States, and efforts are being made to introduce into the schools courses in practical politics. A program has been instituted to supply materials on politics and government, to conduct essay and poster contests and to promote similar activities in schools throughout the country.

Section 501(c) of the Code describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

(3) Corporations * * * organized and operated exclusively for religious, charitable, scientific, * * * literary or educational purposes, * * * no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, * * *

(4) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare * * *.

To be exempt under section 501(c) (3) of the Code, an organization must be both organized and operated exclusively for one or more of the purposes specified in that section. If an organization fails to meet either the organizational test or the operational test, it is not exempt. See section 1.501(c) (3)-1(a) (1) of the Income Tax Regulations.

In section 1.501(c) (3)-1(d) (3) of the regulations, the term "educational," as used in section 501(c) (3) of the Code, is defined 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. As indicated by one of the examples given in this section of the regulations, an organization whose activities consist of presenting public discussion groups, forums, panels, lectures, or other similar programs, may be an educational organization within the intendment of the statute. It does not follow, however, that every organization engaged in such activities is organized and operated exclusively for educational purposes.

Although the statements of purposes contained in the organization's charter and by-laws purport to limit the corporation's purposes to education in the field of government, this statement is only in broad and general terms. The activities to be performed or the nature of the information to be disseminated is not specified. On the basis of the charter provisions, it cannot be ascertained what the corporation deems to be within the scope of the term "education in the field of government" and what would not be encompassed by that term. Thus, the corporation cannot be considered as organized exclusively for educational purposes within the contemplation of section 501(c) (3) of the Code.

An organization is not operated exclusively for educational purposes where its activities are primarily directed toward encouraging business men and women to become more active in politics and government, and in promoting business, social, or

civic action, as distinguished from the cultivation, development, or improvement of the capabilities of the individual through instruction or training. The ancillary gathering and/or disseminating of information through publications, workshops or other media as a means of accomplishing such an objective does not of itself give it an educational character for exemption purposes. See Estate of Anita McCormick Blaine v. Commissioner, 22 T.C. 1195. Nor does the fact that an activity is conducted through an educational institution necessarily give that activity an educational character.

Accordingly, it is held that the instant organization is neither organized nor operated exclusively for educational or for any of the other purposes set forth in section 501(c)(3) of the Code and, therefore, is not exempt from Federal income tax as an educational organization. However, such an organization may qualify for exemption under section 501(c)(4) of the Code as an organization operated exclusively for the promotion of social welfare.

In order to establish an exemption under section 501(c)(4) of the Code, it is necessary to file an application on Form 1024, 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 Income Tax Regulations.