

An organization which, as its primary objective, advocates the adoption of a doctrine or theory which can become effective only by the enactment of legislation is not entitled to exemption from Federal income tax under section 501(a) of the Internal Revenue Code of 1954, since it is an 'action' organization and thus is not operated exclusively for educational purposes within the meaning of section 501(c) (3) of the Code.

Advice has been requested whether an organization whose primary activities consist of advocating a particular doctrine or theory may qualify for exemption as an organization described in section 501(c) (3) of the Internal Revenue Code of 1954.

The instant organization is a nonprofit corporation formed for the purpose of supporting an educational program for the stimulation of interest in the study of the science of economics or political economy, particularly with reference to a specified doctrine or theory.

It conducts research, makes surveys of economic conditions, moderates discussion groups, and publishes books, pamphlets, etc. These publications as well as publications obtained from other sources are distributed by the organization at nominal prices. It maintains a lecture service for the benefit of schools, colleges, civic clubs and other organizations of various kinds which are interested in the study of civic, social and economic problems. The research activities are primarily concerned with securing information for determining the effect of the various methods of real estate taxation on the rise and fall of land values with particular reference to the single tax theory of taxation.

It is the announced policy of the organization to promote its philosophy by educational methods as well as by the encouragement of political action. Most of the publications disseminated by the organization, together with a substantial part of its other activities, deal with the theory advocated. This theory or doctrine can be put into effect only by legislative action.

The corporation is organized without capital stock and is governed by a board of trustees elected by the membership. All the trustees and voting members are required to be avowed adherents of the theory advocated. In the event of dissolution all the remaining assets of the corporation, after debts and other obligations are satisfied, are to be devoted to a charitable or educational use.

Section 501(c) of the Code reads, in part, as follows:

(3) Corporations, and any community chest, fund, or foundation, 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, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

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

Section 1.501(c)(3)-1(c)(3) of the regulations provides that an organization is not operated exclusively for one or more exempt purposes if it is an 'action' organization as described therein. One of the three types of 'action' organizations described in that section is an organization which has the following two characteristics: (a) its main or primary objective or objectives (as distinguished from its incidental or secondary objectives) may be attained only by legislation or a defeat of proposed legislation; and (b) it advocates, or campaigns for, the attainment of such main or primary objective or objectives as distinguished from engaging in nonpartisan analysis, study, or research and making the results thereof available to the public. In determining whether an organization has such characteristics, all the surrounding facts and circumstances, including the articles and all activities of the organization, are to be considered.

While that part of the activities of the instant organization which consists of engaging in nonpartisan analysis, study and research and making the results thereof available to the public, when considered alone, may be classified as educational within the meaning of section 501(c)(3) of the Code, the organization is primarily engaged in teaching and advocating the adoption of a particular doctrine or theory. This doctrine or theory is of a nature which can become effective only by the enactment of legislation. Since the primary objective of the organization can be attained only by legislative action, a step which the organization encourages or advocates as a part of its announced policy, as opposed to engaging in nonpartisan analysis, study and research and making the results thereof available to the public, the organization is an 'action' organization as that term is defined in section 1.501(c)(3)-1(c)(3) of the regulations.

In view of the foregoing, it is held that the instant organization does not qualify for exemption under section 501(c)(3) of the Code, since it is an 'action' organization and thus is not operated exclusively for any of the exempt purposes specified in that section.