

A corporation was organized as an adjunct to a university law school to publish a law review journal for the purpose of training students in legal research, writing and editing. It is operated under the control of the law school faculty. Upon dissolution, its funds revert to the university or to another organization organized and operated exclusively for educational purposes within the meaning of the Internal Revenue Code. No part of the net earnings inures to the benefit of any private shareholder or individual. Held, the corporation is exempt 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) of the Code.

Advice has been requested whether a corporation is entitled to exemption from Federal income taxation under section 501(a) of the Internal Revenue Code of 1954, as an organization described in section 501(c)(3) of the Code, under the circumstances set forth below.

The corporation in the instant case was organized as an adjunct to a university law school, which is exempt under section 501(c)(3) of the Code, for the purpose of publishing and distributing a legal periodical or law journal in order to foster, encourage and promote the best type of legal research and scholarship on the part of students and faculty members of a college of law and other persons interested in the legal profession, and to afford a medium of expression for the publication and dissemination of the results of such legal research.

Its primary activity is the publication of a law review journal. The journal consists principally of articles written or edited by law students who serve on the staff and base their work on individual legal research in connection with their curricular activity. No salaries are paid to these students. The printing and binding of the journal are done under contract with business firms.

The corporation is controlled by a board of trustees which has, since its inception, been composed of the dean of the law school as its president and other faculty members as its vice president, secretary, and treasurer.

All but an insubstantial amount of the organization's income is derived from subscriptions, sales of single copies of the journal, and grants from the university. Expenditures are for printing and binding, office and other miscellaneous expenses. No part of its net earnings inures to the benefit of any private shareholder or individual. In the case of dissolution, its properties are to be distributed to the university for the benefit of the law school, or to another organization organized and operated exclusively for educational purposes within the meaning

of the Internal Revenue Code.

Sections 501(a) and 501(c)(3) of the Code provide for exemption from Federal income tax of 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, 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. 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 as an adjunct to the university law school for the specific purpose of training law students in legal research, writing and editing, and to serve as a means of promoting the legal education of law school graduates and others through the medium of the law review journal. The publication of the journal is considered, on the basis of the facts in this case, to be incidental to the main objectives of the program.

Furthermore, the corporation is controlled by members of the law school faculty. It is clear therefore that the corporation is 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, it is held that the corporation is exempt from Federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code of 1954.

An organization may not consider itself exempt merely because it believes that it falls within the scope of this Revenue Ruling. In order to establish its exemption under section 501(c)(3), it is necessary to file an application on Form 1023, 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.