

A corporation is organized and operated on a nonprofit basis. It provides worthy and needy students with free housing facilities and with funds for the purchase of books and instructional supplies or equipment on a gift, or loan basis, without interest. Held, the corporation is exempt from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code of 1954.

Advice has been requested whether, under the circumstances described herein, a corporation qualifies for exemption from Federal income tax under section 501(a) of the Internal Revenue Code of 1954 as an organization described in section 501(c)(3) of the Code.

The instant organization was incorporated as a nonprofit corporation. The general purposes for which the corporation was formed are exclusively charitable, scientific, literary, or educational. A specific purpose is to provide assistance to worthy and needy students by making available to them: (1) financial gifts, grants, awards, scholarships, fellowships, prizes, loans without interest, and subsidies; (2) housing; and (3) books and instructional supplies or equipment.

The corporation operates and maintains a group of dwellings where students are provided free housing facilities. The students selected are those with exceptional records of scholastic achievement but who, because of lack of funds, could not otherwise attend a college or university. Students residing in the houses are required to pay for their own food and share the expenses for utilities. The purpose of the latter requirement is to encourage conservation in the use of utilities rather than to aid in meeting the cost of the students' housing. In addition to housing facilities, the corporation furnishes, as a gift or as a loan without interest, funds for the purchase of books and instructional material necessary for the pursuit of the students' program of studies.

Receipts are derived from donations, loans, utility payments by the students, repayment of student loans, and dividends. The principal expenditures are for the purchase of houses, mortgage payments, interest, grants, loans to students, and administrative expenses. No part of the net earnings inures to the benefit of any private stockholder or individual.

Section 501(a) of the Code provides for the exemption from Federal income tax of corporations organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes as described in section 501(c)(3) of the Code. Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations defines the term 'charitable' as relating to the advancement of education.

It is evident from the facts, in the instant case, that the corporation is engaged in activities to aid students in attaining an education. Such activities are regarded as charitable as that term is defined in section 1.501(c)(3)-1(d)(2) of the regulations. Accordingly, it is held that the corporation is exempt from Federal income tax under section 501(a) of the Code as an organization described in section 501(c)(3) of the Code, since it has been shown that it is organized and operated exclusively for charitable purposes.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish exemption under section 501(c)(3) of the Code, file an application 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 regulations.