

An organization was formed for the primary purpose of developing and disseminating a body of new knowledge relating to the social sciences. The organization's professional research staff consists of persons qualified by education and experience to perform scientific research in these fields. Activities of the organization consist of the performance of scientific research under the contracts with governmental agencies and the conduct of seminar courses attended by qualified members of the public. Results of the organization's research activities are communicated to the public through seminar courses, lectures, and public discussions, and through publications distributed free to depository libraries. Held, the organization qualifies for exemption from Federal income tax as an educational and scientific organization described in section 501(c)(3) of the Internal Revenue Code of 1954.

Advice has been requested whether an organization organized and operated primarily for the purpose of developing and disseminating a body of new knowledge in the field of social sciences is entitled to exemption from Federal income tax as an educational and scientific organization described in section 501(c)(3) of the Internal Revenue Code of 1954.

The instant organization was incorporated for exclusively charitable, educational, and scientific purposes, and in furtherance of these purposes, to promote, conduct and foster research, study and analysis relating to the social sciences; disseminate information and promote, conduct and foster other activities designed to increase knowledge and understanding relating to these sciences; provide a forum in which individuals and organizations may consult and cooperate in considering problems relating thereto; conduct and foster research, study, and analysis, and the dissemination of information of educational, cultural, or scientific interest; and support, with funds or otherwise, undertakings which are exclusively charitable, scientific or educational in purpose.

The organization's professional research staff is qualified by education and experience to conduct scientific research in these fields requiring an application of both the social and physical sciences. The organization's employees hold degrees or have extensive backgrounds in mathematics, physics, engineering, anthropology, psychology, international law, digital computer systems, sociology, chemistry, law, political science and other subjects. Remuneration paid by the organization to its professional research staff is substantially equivalent to remuneration paid to similarly qualified personnel in large institutions of higher education.

A substantial activity of the organization consists of research in the social sciences performed under contract with and on behalf of governmental agencies. Income realized from

contract research is utilized by the organization solely for research. It performs no contract research for the private benefit of any person or organization as distinguished from performing scientific research in the public interest.

The results of the scientific research performed by the organization under a government contract are typically embodied in a report submitted to a governmental agency. Over 90 percent of the material presented in these reports is customarily classified by governmental agencies for public dissemination. Through this procedure the information contained in the reports is made available to interested persons on a nondiscriminatory basis. The new knowledge acquired by the organization's professional research staff is communicated to the public through seminar courses, lectures, public discussions, and through publication of articles, papers, and books. All publications are freely available for inspection and study at the headquarters of the organization.

Dissemination of the results of the organization's scientific research also is accomplished by regularly releasing documents and reports to depository libraries in the United States. Through inter-library loan arrangements, depository libraries make these documents available to other libraries.

The organization conducts seminar courses which are open to qualified members of the public. The preparation and continual revitalization of the seminar courses is a major activity of the professional research staff of the organization, and is designed for approximately 100 presentations in a 3-year period, with 1-week, 2-week, and 3-week versions presented for various groups totaling approximately 600 persons. A tuition fee is charged for the course which is set to recover cost of presenting the seminar, including salaries of the professional staff. Persons attending the seminars are drawn from governmental agencies, nonprofit organizations engaged in scientific research, educational institutions, and business organizations.

Section 501(c) (3) of the Code describes certain organizations exempt from income tax under section 501(a) and provides, in part, as follows:

(3) Corporations, \* \* \* organized and operated exclusively for charitable, scientific, \* \* \* or educational purposes, \* \* \* no part of the net earnings of which inures to the benefit of any private shareholder or individual, \* \* \*

To qualify for exemption under the above-quoted section of the Code, an organization must meet the dual test of being exclusively organized and operated for one or more exempt purposes specified therein. See section 1.501(c) (3)-1(a) of the Income Tax Regulations.

Section 1.501(c) (3)-1(d) (3) of the regulations defines as

'educational' an organization whose purposes are:

(a) The instruction or training of the individual for the purpose of improving or developing his capabilities; or

(b) The instruction of the public on subjects useful to the individual and beneficial to the community.

It is the organization's position that it is exempt under section 501(c)(3) of the Code as an exclusively educational organization. It has stated that its central purpose is to mount an effective educational program in the field of the social sciences and everything else the organization has done or may undertake is incidental to that central purpose. The facts presented indicate that the organization devotes a substantial portion of its efforts in conducting seminars. While the subject matter of these seminars is, in part, specialized and technically oriented, they are not directed specifically toward any single group of participants, such as industry-planning specialists to benefit their commercial and industrial operations. On the contrary, these seminars are directed toward imparting information to all qualified individuals interested in the particular field involved. While commercial organizations may benefit from having their employees attend these seminars, any such benefits appear to be no different from those flowing to other participants including employees of the government and nonprofit organizations.

Since the seminars conducted by the organization relate to the instruction and training of individuals for the purpose of improving or developing their capabilities, it is concluded that it is engaged in educational activities as defined in section 1.501(c)(3)-1(d)(3) of the regulations.

While the seminars conducted by the organization represent a substantial part of its operations, another substantial portion of its efforts is devoted to conducting contract research on behalf of governmental agencies. It is contended by the organization that its research activities are undertaken solely in furtherance of its primary educational purpose, and its research programs, in and of themselves, constitute 'scientific' activities for the purposes of section 501(c)(3) of the Code.

A 'scientific' organization within the meaning of section 501(c)(3) of the Code must meet two tests: (1) It must engage in research carried on in furtherance of a 'scientific' purpose, and (2) the scientific research must be carried on in the public interest. See section 1.501(c)(3)-1(d)(5) of the regulations. The term 'scientific' is not defined in the applicable regulations. However, for the purposes of section 501(c)(3) of the Code, the term 'scientific' includes the carrying on of research in the physical or social sciences, provided such research serves a public interest.

While the organization conducts some research in the

physical sciences, most of its research is in the field of the social sciences. An organization engaged in conducting research programs in the social sciences may qualify as a 'scientific' organization described in section 501(c)(3) of the Code, provided it conducts such research in the public interest.

Under section 1.501(c)(3)-1(d)(5)(iii)(b) of the regulations, scientific research performed for the United States or any of its agencies or instrumentalities, or for a State or political subdivision thereof, is presumed to be carried on in the public interest. Since the organization's contract research is conducted for the government, and all of its research has been undertaken in pursuit of the educational and scientific purposes specified in its charter, its research programs meet the requisite of being conducted in the public interest.

Based upon the facts presented, it is concluded that the contract research conducted by the organization qualifies as scientific research carried on in the public interest within the meaning of section 1.501(c)(3)-1(d)(5) of the regulations. Therefore, it is held that the instant organization qualifies for exemption from Federal income tax as an educational and scientific organization described in section 501(c)(3) of the Code.

An organization may not consider itself exempt from Federal income tax merely because it falls within the scope of this Revenue Ruling. In order to establish exemption, it is necessary that every organization claiming exemption under section 501(c)(3) of the Code 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 regulations.