

A nonprofit organization created to develop and promote an appreciation of jazz music as an American art form through the presentation of public jazz festivals or concerts is held exempt from Federal income tax as an educational and charitable organization under section 501(c)(3) of the Internal Revenue Code of 1954.

Advice has been requested whether an organization created to develop and promote an appreciation of jazz music may qualify for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization was incorporated as a nonprofit corporation. Its purposes are to stimulate interest in and to gain a wider acceptance of jazz music as an American art form through the presentation of concerts, to help jazz musicians and to encourage jazz composers through commissions for new works and scholarships. Its charter provides that it may engage only in activities which are in furtherance of an educational or charitable purpose within the intendment of section 501(c)(3) of the Code; that no part of its net earnings shall inure to the benefit of any private shareholder or individual; and that, in the event of its dissolution, any assets remaining after payment of all claims against the organization are to be distributed to an organization described in section 501(c)(3) of the Code.

The organization periodically conducts public jazz festivals or concerts at which members of the public may hear true American jazz, written and played by serious students of this form of music including famous jazz musicians. Admission fees are charged for the purpose of helping to meet expenses. At a typical jazz festival high school student-musicians interested in jazz may be given an opportunity to play before an adult audience. At such performances the high school groups are usually joined by outstanding professional jazz musicians so that the student members may appreciate the advantages that result from playing with accomplished professional musicians. The jazz festivals also provide a place and an opportunity for aspiring composers of jazz to present their new and sometimes experimental works performed by skilled musicians before interested audiences.

The organization's receipts are derived principally from ticket sales, contributions, and programs sales. The organization pays the professional jazz musicians for their performances and incurs other expenditures for publicity, advertising, production costs, wages, office supplies and expenses, taxes, and scholarship awards.

Section 501(c)(3) of the Code describes certain organizations exempt from taxation under section 501(a) of the Code and reads as follows:

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.

Cultural organizations devoted to the promotion of the arts may qualify for exemption as being educational or charitable in character. See Rev. Ruls. 64-174 and 64-175, C.B. 1964-1 (Part 1), 183 and 185, respectively. By presenting periodic jazz festivals or concerts, as described herein, the organization in question is developing and promoting an appreciation of jazz music as an American art form.

Accordingly, it is held that the organization is exempt from Federal income tax under section 501(c)(3) of the Code as an educational and charitable organization.

An organization which considers itself to be within the scope of this Revenue Ruling must, in order to establish exemption under section 501(c)(3) of the Code, file an application on Form 1023, Exemption Application, with the District Director of the 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.