

An association which furnishes light and water to its members on a cooperative basis may qualify for exemption from Federal income taxes as a 'like organization' under section 501(c)(12) of the Internal Revenue Code of 1954, provided 85 percent or more of its income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

I.T. 1671, C.B. II-1, 158 (1923), superseded.

The purpose of this Revenue Ruling is to update and restate under the current statute and regulations the position set forth in I.T. 1671, C.B. II-1, 158 (1923).

An association was incorporated without capital stock for the purpose of acquiring, establishing, and maintaining a light and water distribution system for its members. It is organized on a cooperative basis and its management is vested in a board of five trustees.

Section 501(c)(12) of the Internal Revenue Code of 1954 provides exemption from Federal income tax for benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations; but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

The term 'like organizations' as used in the statute is limited by the type of organizations specified in the statute. It is applicable only to those mutual or cooperative organizations which are engaged in activities similar in nature to the benevolent life insurance or public utility type of service or business customarily conducted by the specified organizations. See Rev. Rul. 65-201, C.B. 1965-2, 170.

Furnishing light and water is a type of public utility service similar in nature to that provided by the specified organizations. Therefore, this organization may be exempt from Federal income tax as a 'like organization' under section 501(c)(12) of the Code, provided 85 percent or more of its income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish exemption under section 501(c)(12) of the Code, file an application on Form 1026, 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.

This Revenue Ruling restates under current law the position set forth in I.T. 1671. Therefore, I.T. 1671 is hereby superseded.