

A nonprofit organization which encourages and promotes the advancement of young musical artists by conducting weekly work-shops, sponsoring public concerts by the artists, and securing paid engagements for the artists to improve their professional standing may be exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

Advice has been requested whether an organization formed and operated in the manner described below qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

A nonprofit membership organization was formed to promote and encourage the talent and ability of young musical artists in concert technique.

In carrying out its purposes the organization works with musicians and singers who are interested in acquiring concert experience. These individuals either have finished formal training or are in advanced stages of their musical education but have not yet reached the state of development and professional recognition needed to obtain concert engagements with enough regularity to earn a living from their profession. Although some of the participating artists contribute to the organization, none are members.

The organization conducts weekly workshop sessions for training artists in concert technique. Typically, the sessions consist of performances on stage by one or more artists before an audience consisting of participating artists, outside musicians, and music critics. The performances are judged by the audience which records its impressions and comments on rating sheets especially prepared for the purpose. Emphasis is on appearance, stage presence, and poise, as well as the technical presentation of the music itself. These rating sheets are prepared anonymously and are subsequently turned over to the individual performers to serve as a source of constructive criticism and a basis for further improvement.

The organization also sponsors public concerts by the artists. These concerts are designed to introduce the artists to the public, to help them establish themselves professionally, and also to improve the musical appreciation of the public. Generally a small admission is charged, but only for the purpose of helping to meet concert expenses.

A further activity of the organization is securing bookings for the artists. No fee is charged for this service. Typically, the engagements are off the regular concert circuit, in outlying areas, before church and civic groups, and similar organizations. The organization will not book any of its artists for an unpaid engagement. The organization believes that an unpaid engagement

tends to lower the quality of the performance and to have a detrimental effect on the standing of the artist as a professional musician. The concert fee is usually a modest one, however, and is paid entirely to the artist. This activity is aimed at improving the professional standing of the performer. Artists booked for this type of concert are those who have not yet reached a point in their careers where they could, independently or through a professional agent, secure enough remunerative engagements to support themselves. The organization's policy is to discontinue assistance to an artist once he becomes self-sustaining professionally.

The organization's support is from contributions and membership dues. Expenditures are for hall rentals, office expenses, concerts, weekly training sessions, and miscellaneous operating expenses.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for educational purposes.

Section 1.501(c)(3)-1(d)(3)(i) of the Income Tax Regulations defines the term 'educational' as relating to (1) the instruction or training of the individual for the purpose of improving or developing his capabilities, or (2) the instruction of the public on subjects useful to the individual and beneficial to the community.

Based on the manner in which the weekly workshop sessions are conducted for training individuals, the organization is engaged in an educational activity. Sponsoring public concerts introduces the participating artists to the public, helps to establish them professionally, and provides them with needed experience. Such activity is in furtherance of the educational purposes of the organization. These concerts also promote the arts; cultural organizations which promote the arts may qualify as educational. See Rev. Rul. 65-271, C.B. 1965-2, 161.

Securing paid engagements for the artists does not disqualify it for exemption. While an activity of this type can be performed by an agent for profit, here it is performed without charge. Many exempt educational institutions offer placement services to their students without charge, an activity which is comparable to the booking activity of the organization in this case. Furthermore, the paid engagements secured by the organization for its participating artists are a critical step in the development of the artists without which the organization could not fulfill its purpose of training artists to the point where they can support themselves financially through their musical talents.

Accordingly, this organization is exempt from Federal income tax under section 501(c)(3) of the Code.

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 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.