

A nonprofit organization that stimulates the interest of youth in the community in organized sports may qualify for exemption from Federal income tax under section 501(c)(4) 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)(4) of the Internal Revenue Code of 1954.

The organization was formed as a nonprofit corporation by local citizens to initiate programs designed to stimulate the interest of youth in organized sports. No part of the net earnings of the corporation inures to the benefit of any member or individual of the organization, and no activities are conducted to promote or stimulate any business organized for profit.

The primary activity of the organization is its youth program. All boys and girls in the community 16 years of age and younger are invited to enroll in the program for which a nominal charge is made. Free admission to several professional sports events is furnished to each of the youths upon enrollment.

In addition, each is given the opportunity to enter various essay contests sponsored by the organization for which the winners are awarded prizes such as expense-paid trips to sports events in other cities and the chance to participate in the broadcast of sports programs by local radio and television stations.

Membership in the organization is open to all adults in the community. The primary source of income is membership dues and fees charged for enrollment in its youth program. Tickets are contributed by the organizations conducting the sports events. Disbursements are for expenses incurred in connection with the administration of the program.

Section 501(c)(4) of the Code provides for the exemption from Federal income tax of civic leagues and organizations not organized for profit but operated exclusively for the promotion of social welfare.

An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Section 1.501(c)(4)-1(a)(2) of the Income Tax Regulations.

By furnishing virtually free admission to youths and encouraging their attendance at sporting events, the organization is providing wholesome entertainment for the social improvement

and welfare of the youths of the community. This promotes the common good and general welfare of the people of the community. Accordingly, the organization qualifies for exemption from Federal income tax under section 501(c)(4) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must (in order to establish exemption under section 501(c)(4) of the Code) file an application on Form 1024, 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.