

Rev. Rul. 68-167, 1968-1 C.B. 255

A nonprofit organization created to market the cooking and needlework of needy women may be exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

O.D. 509, C.B. 2, 209 (1920), and S.M. 5516, C.B. V-1, 81 (1926), superseded.

The purpose of this Revenue Ruling is to update and restate under the current statute and regulations the positions set forth in O.D. 509, C.B. 2, 209 (1920), and S.M. 5516, C.B. V-1, 81 (1926). This ruling relates to whether the nonprofit organization described below is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization was formed to assist needy women in earning income. It operates a market where it sells the cooking and needlework of these women who are not otherwise able to support themselves and their families. Although the organization charges a small sales commission for its services, it is not self-supporting and must depend upon public contributions.

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

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations states that the term 'charitable' includes relief of the poor and distressed.

An organization can relieve the poor and distressed other than through direct grants, such as by providing necessary services. This organization provides a necessary service for needy women by giving them a market for their products and a source of income. In assisting needy persons in this manner, the organization serves a charitable purpose. Accordingly, the organization is exempt from Federal income tax under section 501(c)(3) 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)(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.

This ruling updates and restates under current law the positions set forth in O.D. 509 and S.M. 5516. Therefore, O.D. 509 and S.M. 5516 are hereby superseded.