

A nonprofit organization formed and operated to conduct an educational program for bank employees in a particular urban area qualifies for exemption under section 501(c)(3) of the Code; I.T. 3330 superseded.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. 3330, C.B. 1939-2, 185. This Ruling relates to whether the organization described below qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

A nonprofit organization was formed to conduct an educational program for bank employees in a particular urban area. The organization furnishes classrooms and employs local university professors and specialists in banking law to teach courses on various banking subjects. Credit is given by universities for hours spent in such work. The organization purchases textbooks for resale at cost to students. It also publishes a professional magazine containing items of interest and assistance to the members and conducts occasional social affairs to stimulate interest in its educational program. The social affairs involve an insubstantial part of the organization's activities.

No person may take the courses unless he is a member of the organization; but membership is open to employees of all banks in the area.

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

Section 1.501(c)(3)-1(c)(1) of the Income Tax Regulations provides that an organization will not be regarded as operated exclusively for exempt purposes under section 501(c)(3) of the Code if more than an insubstantial part of its activities is not in furtherance of such exempt purposes.

Section 1.501(c)(3)-1(d)(3) of the regulations provides that the term 'educational' relates to the instruction or training of the individual for the purpose of improving or developing his capabilities.

An organization that instructs or trains individuals to improve their business or professional capabilities may be exempt under section 501(c)(3) of the Code. See Rev. Rul. 65-298, C.B. 1965-2, 163. Thus, this organization is engaged in an educational activity within the meaning of section 1.501(c)(3)-1(d)(3) of the regulations. The social activities of the organization are insubstantial in relation to its educational activities.

Accordingly, the organization qualifies for exemption 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 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.

I.T. 3330 is superseded since the position set forth therein is restated under the current law in this Revenue Ruling.