

A nonprofit organization formed to promote racial integration in housing, to lessen neighborhood tensions, and to prevent deterioration of neighborhoods may qualify for exemption under section 501(c)(3) of the Code.

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

The organization was formed to promote racial integration in housing, to lessen neighborhood tensions, to eliminate prejudice and discrimination in housing, and to prevent deterioration of neighborhoods. In furtherance of these purposes, it educates the public regarding integrated housing and conducts intensive neighborhood educational programs to prevent panic selling because of the introduction of a non-white resident into a formerly all-white neighborhood. It also counsels minority group residents about the problems of living in an integrated neighborhood and ways of minimizing potential tensions and misunderstandings.

The organization also encourages and assists white families in purchasing homes in integrated neighborhoods where it is determined that such families will help to stabilize the neighborhood.

In instances where families are unable to secure financing through commercial channels for home purchases and the organization believes that the introduction of the family into a neighborhood will help accomplish its purposes, the organization makes loans at prevailing bank rates. In other cases, the organization purchases homes to lease or resell at no profit on an open occupancy basis.

The organization is financed substantially through grants and 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 provides that the term 'charitable' includes the promotion of social welfare by organizations designed to lessen neighborhood tensions, eliminate prejudice and discrimination, or combat community deterioration.

By education the public about integrated housing and conducting intensive neighborhood educational programs to prevent panic selling because of the introduction of a non-white resident into a formerly all-white neighborhood, the organization is striving to eliminate prejudice and discrimination and to lessen neighborhood tensions. By making mortgage loans to families that

cannot obtain such loans commercially but that otherwise are considered desirable residents, the organization is trying to break down the barriers of prejudice and gain acceptance of integrated housing within the community. It accomplishes this same objective by purchasing homes and reselling or leasing them on an open occupancy basis to families that will be compatible to a neighborhood and demonstrate the feasibility of integrated communities. By stabilizing the neighborhood, the organization is combatting potential community deterioration.

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.