

An engineering society formed to engage in scientific research in the areas of heating, ventilating, and air conditioning for the benefit of the general public qualifies for exemption under section 501(c)(3) of the Code.

Advice has been requested whether the activities of the organization described below qualify as charitable for purpose of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954 where the organization otherwise qualifies for such exemption.

The organization is a society composed principally of heating and air conditioning engineers, although its membership also includes architects, educators, and others who have a professional interest in the field of heating and air conditioning. It was formed to advance the arts and sciences of heating, ventilating, and air conditioning, and the allied arts and sciences, for the benefit of the general public by providing facilities for research and the dissemination of scientific knowledge.

Full membership in the society is limited to persons who have had more than eight years experience in the sciences relating to heating, ventilating, or air conditioning, and who have actively practiced the profession at least four years during which they have been in charge of important work consisting of design, construction, research, development, or teaching. Provision is made for associate members, junior members, and student members, all of whom must meet requirements as to age, training, and experience.

The society's dominant activity is research carried on continuously by a full-time paid staff in its own laboratory. Typical subjects of investigation have been solar radiation through various materials, the phenomena of heat flow and transfer, development of data on air friction, the problems of panel heating, and the physiological effects of air conditioning upon the human body.

The research of the society is devoted exclusively to the development of data on basic physical phenomena, which data might be used by any person who elects to do so. It does not perform commercial tests nor issue reports on commercial products. Activities of that type are expressly forbidden by its certificate of incorporation. The society has no financial interest in the scientific information it develops. All such information is made freely available to the public. Research and studies have been conducted on a cost basis for universities and some government agencies.

At its headquarters the society maintains a library of books, periodicals, studies, and monographs relevant to its field. The library is open to members of the engineering profession,

architects, scientists, teachers, and students of these and related subjects, and other persons seriously interested in its contents. There is no charge for use of this facility.

The results of the society's research and the research of its members as reported in papers presented at meetings of the society are disseminated through the society's three regular publications.

The first is an annual volume containing a collection of scientific papers, many of which have been presented at the society's meetings; the second is a monthly journal that reports the progress of various research projects, and the third is an annual guide that summarizes in a comprehensive manual the data resulting from the society's research for the year. Over the years these data have been assembled into more than a score of model codes of minimum standards for heating, ventilating, and air conditioning. All such codes are made available for the information of anyone, including any public authority, who wishes to make use of them, although the society makes no effort to promote their use. The society does not engage in activities directed at or concerned with the protection or promotion of the professional practice or business interests of any of the professions represented by its membership.

The society supports itself with income from three sources: (1) membership dues and fees, (2) receipts from publications, and (3) contributions.

Section 501(c)(3) of the Code provides in part, for exemption from Federal income tax of organizations 'organized and operated exclusively for * * * charitable, scientific, * * * or educational purposes.'

Section 1.501(c)(3)-1(d)(3) of the Income Tax Regulations defines the term 'educational' as including the instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(d)(5) of the regulations defines the term 'scientific' for purposes of section 501(c)(3) of the Code. According to this regulation a scientific organization must be organized and operated in the public, as opposed to a private, interest. Thus, the term 'scientific' as used in section 501(c)(3) includes the carrying on of scientific research in the public interest.

The terms 'educational' and 'scientific' enumerated in section 501(c)(3) are used in the Internal Revenue Code in their general legal sense in the common law of charities and thus do not have a separate and distinct meaning from the term 'charitable'.

Scientific research is carried on in the public interest if the results (including any patents, copyrights, processes, or formulae resulting from such research) are made available to the public on a nondiscriminatory basis as, for example, information

published in a treatise, thesis, trade publication, or in any other form that is available to the interested public. See regulations 1.501(c)(3)-1(d)(5)(iii)(a) and (c)(2).

The purposes and activities of the society are scientific since they meet the standards of the regulations cited above. By operating the library, disseminating the research results, and making available the model codes, the society is instructing the public on subjects useful to the individual and beneficial to the community.

Accordingly, it is held that the Society is exempt from Federal income tax under section 501(c)(3) of the Code.

The professional society described herein is distinguishable from those in Revenue Ruling 71-504 and Revenue Ruling 71-505, which are recognized as exempt under section 501(c)(6) of the Code rather than as educational or scientific organizations under section 501(c)(3). There are several fundamental differences. The society of heating and air conditioning engineers does not engage in any public relations activities. It never prepared a code of ethics, or policed the profession in any way, or sought to improve the condition of its members. The society has no purposes, committees, or activities primarily aimed at developing good will or fellowship among its members, or fostering a mutuality of interests. It has no social or recreational activities, and no facilities such as a restaurant, lounge, or club house for members. It does not engage in any activity designed to influence legislation. In contrast to the organizations described in Revenue Rulings 71-504 and 71-505, this society engages exclusively in scientific and educational activities.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1023, Exemption Application, in order to be recognized by the Service as exempt under section 501(c)(3) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.50(a)-1 of the regulations.