

The exempt status of cemetery company is not adversely affected if it sells monuments, markers, vaults, and flowers solely for use in the cemetery and uses the sales proceeds for maintenance of the cemetery.

Advice has been requested whether the status of a cemetery company exempt from Federal income tax under section 501(c)(13) of the Internal Revenue Code of 1954 is adversely affected where it sells monuments, markers, vaults, and flowers in the manner described below.

The organization was formed and is operated for the purpose of providing and maintaining a cemetery. The organization sells cemetery lots, provides burial services, erects monuments, and maintains the cemetery grounds. In addition, it sells monuments, markers, vaults, and flowers solely for use in the cemetery. All profits realized from these sales are used to maintain the cemetery as a whole.

Section 501(c)(13) of the Code provides for the exemption from Federal income tax of cemetery companies owned and operated exclusively for the benefit of their members or which are not operated for profit; and any corporation chartered solely for the purpose of the disposal of bodies by burial or cremation which is not permitted by its charter to engage in any business not necessarily incident to that purpose, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Decorating or marking burial sites with monuments or by other means is so closely related to burial purposes that it is necessarily incident to those purposes when the markers or decorations are used solely within that cemetery and profits from their sale do not inure to shareholders. Accordingly, it is held that the status of a cemetery company exempt from Federal income tax under section 501(c)(13) of the Code is not adversely affected where it sells monuments, markers, vaults, and flowers in the above described manner.