

Rev. Rul. 72-560, 1972-2 C.B. 248

An organization formed to educate the public regarding environmental deterioration due to solid waste pollution and operated with contributions and proceeds from sale of collected solid waste for recycling is exempt under section 501(c)(3) of the Code.

Advice has been requested whether an organization that otherwise, qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954 is operated for charitable purposes where its only activities are those described below.

The organization was formed to educate the public regarding environmental deterioration due to solid waste pollution and to provide facilities for the collection of certain materials for recycling. It sponsors workshops, conferences, and exhibits to inform the public of the environmental problems caused by solid waste materials and the advantages of recycling such materials. It also has established centers staffed entirely by volunteers, where members of the public may bring solid waste materials such as old newspapers, glass containers, and metal cans for disposal.

The waste materials collected at the centers are sold to commercial companies for recycling. Any excess of income over expenses from the sale of waste materials is used by the organization in its other activities.

The organization's receipts are from contributions and the payments for the waste materials. Its disbursements are for the transportation of waste materials to the recycling companies, the construction of exhibits, sponsorship of workshops and conferences, and miscellaneous administrative expenses.

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

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations defines the term 'charitable' as including the promotion of social welfare by organizations designed to combat community deterioration.

Section 1.501(c)(3)-1(d)(3)(i)(b) of the 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(e) of the regulations provides that an organization may meet the requirements of section 501(c)(3) of the Code although it operates a trade or business as a substantial part of its activities if the operation of such trade or business is in furtherance of the organization's exempt purposes and if the organization is not organized or operated for the primary purpose

of carrying on an unrelated trade or business.

By providing information to the public concerning environmental problems caused by solid waste materials and the advantages of recycling such materials, the organization is instructing the public on subjects useful to the individual and beneficial to the community.

The recycling of the waste materials is an essential element in the organization's efforts to combat environmental deterioration, since it prevents the pollution of the environment caused by the usual disposition of these materials. These activities are thus analogous to the tree planting and street cleaning operations that were held to serve a charitable purpose in Revenue Ruling 68-14, C.B. 1968-1, 243. Any income derived from the sale of the waste materials to the recycling companies is merely incidental to the accomplishment of the exempt purposes of the organization.

Accordingly, it is held that the organization's activities are charitable and educational and, since it otherwise qualifies for exemption, the organization is exempt under section 501(c)(3) of the Code.

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 1.501(a)-1 of the regulations.