

Educational institution accreditation organization. A nonprofit organization of accredited educational institutions, whose membership includes a small number of proprietary schools, and whose activities include the preparation of accreditation standards, identification of schools and colleges meeting these standards, and the dissemination of accredited institution lists qualifies as an exempt organization under section 501(c)(3) of the Code.

Advice has been requested whether an organization with the activities described below is advancing education for purposes 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's principal activity is to identify those schools and colleges located in a specific geographic region of the United States as being of sufficient acceptable quality to be designated as accredited institutions. Its activities are controlled by institutional members. Only institutions which are accredited may be admitted as institutional members. The actual accrediting activity is carried on by committees which are drawn from the members of the organization and which are designated as a Commission on Higher Education and a Commission on Secondary Schools. Each committee is invested with the power to set standards and to enforce compliance with such standards for the accreditation of educational facilities coming under its specific jurisdiction. Neither its charter nor its bylaws prohibit the accreditation and membership of proprietary schools (educational facilities operated for profit). However, there are a very few proprietary schools in the region and these have been, on application, accredited and approved for membership in the organization. Such schools represent a small minority of the members of the organization.

Specific standards and requirements for accreditation of schools and colleges are prepared and published by the organization. A list of the names of accredited institutions is prepared and disseminated regularly. The accreditation by the organization is recognized on a local, regional, national and international basis. The accreditation program is designed to foster excellence in education, and develop criteria and guidelines for assessing educational effectiveness. It encourages institutional improvement of educational endeavors through continuous self-study and evaluation. It assures the educational community, the general public, and other agencies or organizations that an accredited educational institution has clearly defined and appropriate educational objectives, has established conditions under which their achievement can reasonably be expected, appears in fact to be accomplishing them substantially, and is so organized, staffed, and supported that it can be expected to continue to do so. The organization also provides counsel and

assistance to establish and develop new institutions. Accreditation is retained by member institutions through a process of evaluation and periodic review by the applicable committees of the organization.

The organization's income is obtained primarily from membership dues.

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 advancement of education.

The development and publication of standards for accreditation of schools and colleges, along with their regular inspection and evaluation, and the development of recommendations for improvement of such institutions are all activities which support and advance education by providing significant incentive for maintaining a high quality educational program. Any private benefit that may accrue to the few proprietary members because of accreditation is incidental to the purpose of improving the quality of education.

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 file an application on Form 1023. Application for Recognition of Exemption, 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.