

Job training for American Indians. An organization formed and operated by a labor union at the request of the Bureau of Indian Affairs to provide apprentice training in a skilled trade to American Indians is operated exclusively for charitable and educational purposes and qualifies for exemption under section 501(c)(3) of the Code.

'Advice has been requested whether the nonprofit organization described below, which otherwise qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954, is operated exclusively for charitable and educational purposes.

'The organization was formed to conduct an apprentice training program offering instruction in a skilled trade to American Indians. It operates as a school within the meaning of section 170(b)(1)(A)(ii) of the Code. The program was created by a national labor union representing workers in the skilled trade.

The Bureau of Indian Affairs requested the union to set up the organization in order to implement the policy goals set out in the Adult Vocational Training Act of 1956, as amended, 25 U.S.C. sections 309 and 309a. That Act calls for the regular appropriation of Federal funds to finance a program of vocational and on-the-job training to help adult American Indians living on or near Indian reservations obtain gainful employment.

'The organization is operated by union representatives under a cost reimbursement contract with the Bureau of Indian Affairs. Under the terms of the contract, the organization conducts an intensive course in the skilled trade at a live-in campus equipped with all the texts and materials needed to introduce the students to the skilled trade. The Bureau of Indian Affairs selects adult American Indians living on or near reservations, who lack the skills needed to be gainfully employed, to attend the course. The Bureau reimburses the organization for much of the cost of food, housing, and materials. The sponsoring union contributes time, material, facilities and personnel to the program. Upon successful completion of the course, the organization places the graduates in jobs in the trade. From that point they may follow union and trade procedures to become 'journeymen' laborers.

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

'Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations states that the term 'charitable' is used in section 501(c)(3) of the Code in its generally accepted legal sense. It includes the advancement of education.

Section 1.501(c)(3)-1(d)(3)(i)(a) of the regulations defines 'educational' as relating in part to the instruction or training

of the individual for the purpose of improving or developing his capabilities.

'Section 1.501(c)(3)-1(d)(3)(ii) of the regulations sets forth examples of educational organizations. Example 1 refers to trade schools.

'Rev. Rul. 71-447, 1971-2 C.B. 230, holds that, in order to qualify for exemption under section 501(c)(3) of the Code, a private school must have a racially nondiscriminatory policy as to students.

'By providing a regular course of instruction in a skilled trade to a regularly enrolled body of students at its campus, the organization is conducting a trade school within the meaning of the Code and regulations.

'By limiting admissions to American Indian students in accordance with the provisions of the Adult Vocational Training Act and the terms of the Bureau of Indian Affairs funding contract, the organization is implementing the policy goals of the Federal government as outlined in the Adult Vocational Training Act. Rev. Rul. 71-447's prohibition of racial discrimination by private schools is based on the principle that racial discrimination in education is contrary to Federal public policy and is therefore inconsistent with charitable exemption under section 501(c)(3) of the Code. The organization's admission policy is designed to implement certain statutorily defined Federal policy goals that are not in conflict with Federal public policy against racial discrimination in education. It is not a type of racial restriction that is contrary to Federal public policy.

'Accordingly, the organization is operated exclusively for charitable and educational purposes and thus 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 sections 1.501(a)-1 and 1.508-1(a) of the regulations.