Preserving ecologically significant land. A nonprofit organization that owns farmland and restricts its use to farming or other uses the organization deems ecologically suitable, but is not operated for the purpose of preserving ecologically significant land and does not otherwise establish that it serves a charitable purpose, does not qualify for exemption under section 501(c)(3) of the Code; Rev. Rul. 76-204 distinguished.

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

The organization is a nonprofit corporation that owns farm land. It restricts the use of its farm land to farming or such other uses as the organization deems ecologically suitable for the land. The organization states that it benefits the public by restricting its land to uses compatible with the ecology of the area.

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 states that the term 'charitable' is used in section 501(c)(3) of the Code in its generally accepted legal sense.

Rev. Rul. 76-204, 1976-1 C.B. 152, holds that an organization preserving ecologically significant land for the benefit of the public is operated exclusively for charitable purposes under section 501(c)(3) of the Code.

Although the organization described above restricts its land to uses that do not change the environment, it is not preserving land that has any distinctive ecological significance within the meaning of Rev. Rul. 76-204. In addition, any benefit to the public from this organization's self-imposed restriction on its own land is too indirect and insignificant to establish that the organization serves a charitable purpose within the meaning of section 1.501(c)(3)-1(d)(2) of the regulations.

Accordingly, because the organization does not preserve ecologically significant land and has not otherwise established that it serves a charitable purpose, it is not operated exclusively for charitable purposes, and thus does not qualify for exemption from federal income tax under section 501(c)(3) of the Code.

Rev. Rul. 76-204 is distinguished.