

Agricultural; pest control. A local association of farmers, formed to promote more effective agricultural pest control, that employs pest management scouts who periodically inspect members' fields, identify and count agricultural pests, and compile data on agricultural pest infestation qualifies for exemption under section 501(c)(5) of the Code.

ISSUE

Does a local organization of farmers formed to promote more effective agricultural pest control, under the circumstances described below, qualify for exemption from federal income tax under section 501(c)(5) of the Internal Revenue Code?

FACTS

The organization is a local association of farmers formed to promote more effective agricultural pest control. The organization's primary activity is the employment of pest management scouts who periodically inspect members' fields, identify and count agricultural pests, and compile data on agricultural pest infestation. Neither the organization nor the scouts perform any pest control or eradication services.

As a condition of membership, members must agree to share data collected in their fields. Data collected are disseminated to the member-farmer, the county extension agent, the local university, and the U.S. Department of Agriculture. The members use the data to make decisions on pesticide application in their own fields. The extension agent uses the data to estimate the severity of pest infestation in the locality generally, and to make general recommendations on pesticide use to all local farmers whether or not they are members of the organization. The university uses the data for research, analysis, classroom instruction, publications, and inclusion in statewide research and extension programs. The U.S. Department of Agriculture uses the data in nationwide pest management research and education programs, and in adopting federal policies. The organization has no formal relationship with any federal or state program.

The organization's income is derived from member assessments based upon the acreage involved in the pest scouting program. Disbursements are for payments to scouts and miscellaneous costs of administration.

LAW AND ANALYSIS

Section 501(c)(5) of the Code provides for the exemption from federal income tax of labor, agricultural, or horticultural organizations.

Section 1.501(c)(5)-1 of the Income Tax Regulations provides

that the organizations listed in section 501(c)(5) of the Code are entitled to exemption if they have as their objectives the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

Rev. Rul. 74-518, 1974-2 C.B. 166, holds that a nonprofit organization of dairy farmers that weighs and tests the milk of members' cows and makes statistical information based on the test available to members, nonmembers, and governmental agencies for use in improving production is exempt as an agricultural organization under section 501(c)(5) of the Code.

The organization makes data collected by scouts available to all local farmers through the local extension agent. It makes data available to farmers statewide through the program of the local university, and nationwide through the programs of the U.S. Department of Agriculture. Like the association conducting the milk production testing program described in Rev. Rul. 74-518, the organization has as its objective the betterment of the conditions of those engaged in agricultural pursuits and the improvement of the grade of their products. Members of the organization receive individual benefits from the data collected on pest infestation in their own fields. However, these benefits are incidental to the objectives of the program as a whole and are not inconsistent with those objectives.

HOLDING

A local organization of farmers formed to promote more effective agricultural pest control, under the circumstances described above, qualifies for exemption from federal income tax under section 501(c)(5) of the Code.

APPLICATION INSTRUCTIONS

Even though an organization considers itself within the scope of this revenue ruling, it must file an application on Form 1024, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(5) of the Code. See section 1.501(a)-1 of the regulations. In accordance with the instructions to Form 1024, the application should be filed with the District Director of Internal Revenue for the key district indicated therein.