



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
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Dear

This responds to your letter dated \*\*\*\*\* which withdraws your ruling request dated \*\*\*\*\* and requests general guidance concerning the sale of various items offered for sale in museum gift shops.

As illustrated in the revenue rulings described below, generally, the sale of items related to the exempt purpose of a museum will not result in unrelated business income. However, where there is no substantial relationship between the items sold and the museum's exempt purpose, the sale of such items will result in unrelated business income.

Rev. Rul. 73-104, 1973-1 C.B. 263, holds that the sale of greeting card reproductions of art works by an art museum, exempt from tax under section 501(c)(3) of the Code, does not constitute unrelated trade or business. Each card is imprinted with the name of the artist, the title or subject matter of the work, the date or period of its creation, if known, and the museum's name. The art museum sold these cards through a shop in the museum and through a catalog which solicited mail orders. The rationale for the ruling was that the card sales contributed importantly to the achievement of the museum's exempt educational purposes by stimulating and enhancing public awareness, interest, and appreciation of art.

Rev. Rul. 73-105, 1973-1 C.B. 264, holds that the sale of scientific books and city souvenirs by a museum of folk art exempt from tax under section 501(c)(3) of the Code, constitutes unrelated trade or business, even though other items sold in the museum shop are related to its exempt function. The revenue ruling describes an exempt museum of American folk art that offers for sale in its shop four categories of items, i.e., (1) reproduction of artworks from the museum's collection and from other art collections that take the form of prints suitable for framing, postcards, greeting cards, and slides; (2) metal, wood, and ceramic copies of American folk art objects from its collection and other collections; (3) instructional literature concerning the history and development of art, particularly folk art; and (4) scientific books and various souvenir items

relating to the city in which the museum is located. All of its reproductions are imprinted with the name of the artist, the title or subject matter of the reproduced work, and the museum's name. It was concluded that categories (1), (2), and (3) contribute importantly to the achievement of the folk art museum's exempt educational purposes by making works of art familiar to a broader segment of the public, thereby enhancing the public's understanding and appreciation of art. However, the sale of scientific books and souvenirs described in category (4) was deemed to constitute unrelated trade or business, because the objects had no causal relationship to art or to artistic endeavor and thus did not contribute importantly to the accomplishment of the folk art museum's exempt purposes.

We are enclosing a private letter ruling which concerns the sale of items in a museum gift shop. Although you cannot rely on this ruling, it provides information that we believe will be of assistance to you.

As requested, your user fee will be refunded. The refund is being handled by an administrative office within the Service. You should receive the refund in 8 – 10 weeks.

This letter is not a ruling and may not be relied on as such. If you have any questions, please feel free to contact the person whose name and telephone number are listed in the heading of this letter.

Sincerely,

Jane Baniewicz  
Manager, Exempt Organizations  
Technical Group 2