

A nonprofit organization formed and operated to assist needy families in 'developing' countries may be exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

Advice has been requested whether a nonprofit organization formed and operated to assist needy families in 'developing' countries is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization is a nonprofit domestic corporation formed to help poor rural inhabitants of developing countries. It conducts a guided self-help program for social and economic development in the rural areas of these countries. This program includes furnishing expert guidance to subsistence-level farmer groups on modern agricultural methods, livestock and poultry care, and up-to-date marketing practices in an effort to raise their standard of living.

The organization assists in arranging credit for these farmers on reasonable terms with a realistic repayment schedule. It also established a program in the developing countries to purchase on credit United States surplus agricultural commodities under long term supply contracts pursuant to the Agricultural Trade Development and Assistance Act of 1954.

The organization trains farm women in home economics, cooking, nutrition, food preserving, and infant care. It conducts demonstrations on how to upgrade dilapidated housing at a cost that the farmers can afford. It also conducts public health training programs with emphasis on preventative measures.

In carrying out its program, the organization works in cooperation with governments of the developing countries and with United States governmental agencies whose programs relate to economic development in these countries.

The income of the organization is derived mainly from contributions. No fee is charged by the organization for any of its services. If possible, the farmer groups are expected to make contributions toward operating expenses. However, no contractual obligations regarding payment are required.

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

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations defines the term 'charitable' as including the relief of the poor and distressed or of the underprivileged and the advancement of education and science.

Section 1.501(c)(3)-1(d)(3) of the regulations defines the term 'educational' as including the instruction of the public on subjects useful to the individual and beneficial to the community.

By raising the living standards of needy families in developing countries, facilitating access to markets and credits, teaching modern farming methods, and furnishing other technical assistance, the organization is furthering charitable and educational purposes.

Accordingly, the organization is exempt 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 (in order to establish exemption under section 501(c)(3) of the Code) file an application on Form 1023, Exemption Application, with the District Director of Internal Revenue for the internal revenue 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.