

A nonprofit organization formed to promote safety in small boat construction and operation may be exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954 as an educational organization.

A nonprofit organization formed to develop safety standards and codes for the design, construction, and operation of yachts and other small craft has applied for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization formulates and recommends practices and safety standards for those who design, manufacture, and operate small boats. Its recommendations are advisory only. Its findings are made available to the general public, industry, government, and other interested parties on a nondiscriminatory basis through lectures, meetings, and free publications. The organization does not participate in the design, construction, or testing of equipment.

Membership is divided into two groups: 'technical' and 'regular' members. Technical members are those persons who are qualified to develop, design, and supervise the construction of small craft, or to exercise responsible technical supervision over the selection, research, development, and production of materials used in the construction of small craft. Regular members are other persons interested in serving the organization's purposes.

The income of the organization is derived from membership dues. Expenses are primarily for administrative costs and the printing of its reports.

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

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

By developing and disseminating standards of safety in the design, construction, and operation of small craft for use by the boating industry and small boat operators, the organization is instructing the public on subjects useful to the individual and beneficial to the community. 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.