

A stock corporation was organized and operated for the purpose of holding title to a chapter house of a college fraternity that is exempt from Federal income tax under section 501(c)(7) of the Internal Revenue Code of 1954. The capital stock of the corporation is owned by members of the fraternity who, however, have no rights to receive profits, either in the form of dividends or in liquidating distributions.

Held, the ownership of the stock by the members rather than by the fraternity will not disqualify the corporation from exemption from Federal income tax under section 501(c)(2) of the Code provided the stockholders can in no case receive any dividends or profits, all the income from the property, less expenses, being paid over to the exempt organization.

I.T. 3264, C.B. 1939-1 (Part 1), 121, and I.T. 3860, C.B. 1947-2, 70, are hereby superseded, since the position stated therein is set forth under the current statute and regulations in this Revenue Ruling.