

A nonprofit corporation which is organized exclusively for charitable, scientific, literary, or educational purposes and more specifically to stimulate, promote, and develop the interest of the American public in the dramatic arts and which operates a permanent repertory theatre in furtherance thereof, is exempt from Federal income tax under section 501(a) of the Internal Revenue Code of 1954 as an organization described in section 501(c) (3) of the Code, provided it meets the other requirements of the statute.

Advice has been requested whether a nonprofit corporation organized and operated primarily for the purpose of developing the interest of the American public in the dramatic arts, may qualify for exemption under section 501(c) (3) of the Internal Revenue Code of 1954.

The organization in question was incorporated as a nonprofit corporation under State law. It was organized exclusively for charitable, scientific, literary, or educational purposes, with no part of its income or property to inure to the benefit of any individuals. Its more specific purposes are to stimulate, promote and develop interest in the dramatic arts, to educate the American public in the dramatic arts, to advance the national culture in the field of dramatic arts, and to bring the dramatic arts to areas and population centers that are not adequately served in this respect.

The main activity of the organization is producing plays and making the classic works of the theatre available in cities and colleges throughout the United States by means of a permanent touring repertory theatre company of the highest professional standards. It has worked closely with colleges to relate local engagements to the college curricula, especially English and Drama. Its receipts consist primarily of amounts derived from the sale of tickets and donations from individuals, foundations, and other similar sources. The organization's expenses consist mainly of production costs and operating expenses, including salaries, royalties, publicity, and transportation. No part of its net income is to inure to the benefit of individuals. Upon dissolution, the disposition of its assets shall be such as to exclusively carry out the objects and purposes for which the organization is formed, provided that the assets shall be distributed to no organization which does not qualify under section 501(c) (3) of the Code.

Section 501(c) (3) of the Code describes certain organizations exempt from taxation under section 501(a) and reads as follows:

(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

It has long been the position of the Internal Revenue Service that so-called 'cultural' type organizations may be exempt from Federal income tax as educational or charitable. For example, S.M. 1176, C.B. 1, 147 (1919), holds that an association organized and operated exclusively for the purpose of giving musical concerts of an educational character is exempt. Similarly, I.T. 1475, C.B. 1-2, 184 (1922), holds that a corporation organized to maintain a band for the purpose of giving free public concerts and to promote musical art is exempt as an educational organization.

The above position is reflected in example (4) of section 1.501(c)(3)-1(d)(3)(ii) of the Income Tax Regulations which provides that museums, zoos, planetariums, symphony orchestras, and other similar organizations are educational if they otherwise meet the requirements of section 501(c)(3) of the Code. It is evident from the facts presented that, in the instant case, the organization is educational in much the same manner as a symphony orchestra is considered educational, for the purposes of section 501(c)(3) of the Code and section 1.501(c)(3)-1(d)(3) of the regulations.

In view of the above, it is held that the organization is exempt from Federal income tax under section 501(a) of the Code as an organization described in section 501(c)(3) of the Code.

An organization which considers itself to be within the scope of this Revenue Ruling, must, in order to establish its exemption under section 501(c)(3) of the Code, file an application on Form 1023, Exemption Application, with the District Director 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.