

Rev. Rul. **64-174**

A foundation was formed for charitable, educational and literary purposes. In furtherance of its purposes, it creates interest in the development of the American theatre in areas other than New York City, by aiding local communities to establish their own charitable and educational repertory theatres. It also contributes part of its funds to exempt charitable organizations. No part of its net income inures to the benefit of any private individual. *Held*, the foundation is exempt from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code of 1954.

Advice has been requested whether a foundation organized and operated as described herein, qualifies for exemption from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code of 1954.

The foundation was created for charitable, educational, and literary purposes. The organization is to accomplish its purposes by (a) promoting interest in the study of the arts and drama in particular; (b) advancing knowledge and appreciation of drama and religious, classical, artistic, musical, literary, and social tradition by theatrical performances or by other appropriate means; (c) providing and supporting facilities for education and instruction in the arts of the theatre; and (d) supporting the development of the American theatre in places outside of the metropolitan area of New York so that its benefits may inure to a greater segment of the American people. No part of the foundation's income or principal is to be devoted to other than religious, charitable, educational, or literary uses and purposes.

Formation of the foundation was primarily motivated by a desire to stimulate interest in the theatre in cities distant from the city of New York, the ultimate goal being that local citizens and organizations would establish and support their own local charitable and educational repertory theatres capable of presenting plays of a quality equal to those presented in New York.

The foundation does not operate a theatre, or produce or direct plays. It functions only to arouse and give direction to local interest in a given community for the establishment of a repertory theatre. In carrying out its purposes, the organization contacts various communities to determine their interest in organizing a repertory company of actors to be supported by the community in which it is to operate, and surveys the responding communities to determine the area in which the project would most likely succeed. Selection of an area in which the foundation shall give its guidance and financial support depends upon the apparent interest shown by all facets of the community, the available financial support locally, and concrete plans to either construct or otherwise acquire a suitable theatre.

The foundation's receipts consist mainly of contributions; its expenditures are for transportation, lodging, long-distance telephone calls, and related expenses incurred in carrying out its purposes. In addition, the organization makes substantial contributions to exempt charitable organizations.

Section 501(c) of the Code describes certain organizations which are exempt from Federal income tax under section 501(a) of the Code and reads, in part, 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.

Cultural organizations devoted to the promotion of the arts, and which otherwise meet the statutory requirements for exemption from Federal income tax under section 501(a) of the Code, may qualify for exemption as educational or charitable. Revenue Ruling 64-175, below, holds that the repertory theatre company therein described 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.

While the organization in question does not operate a theatre, or produce or direct plays, its purposes and activities are clearly designed for promotion of the arts through the encouragement of repertory theatre. It is held, therefore, that the foundation is organized and operated as an organization described in section 501(c)(3) of the Code, and accordingly is exempt from Federal income tax in accordance with the provisions of section 501(a) of the Code.

An organization which considers itself to be within the scope of this Revenue Ruling 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.