

### **7.25.3.7.10 (02-23-1999) – IRS Guidance Promotion of the Arts**

1. The promotion of the arts and of culture is generally recognized as an educational activity. See Reg. 1.501(c)(3)–1(d)(3)(ii). The following are exempt educational activities dedicated to such pursuits:

- A. Promoting the dramatic arts. Rev. Rul. 64–175, 1964–1 (Part 1) C.B. 185.
- B. Operating a nonprofit school of contemporary dance. Rev. Rul. 65–270, 1965–2 C.B. 160.
- C. Promoting jazz festivals and jazz concerts. Rev. Rul. 65–271, 1965–2 C.B. 161.
- D. Group harmony singing. Rev. Rul. 66–46, 1966–1 C.B. 133.
- E. Fellowship grants to students or to qualified writers and artists. Rev. Rul. 66–103, 1966–1 C.B. 134.
- F. Aiding young musicians and singers interested in acquiring concert experience. Rev. Rul. 67–392, 1967–2 C.B. 191.
- G. Conducting annual festivals to provide unknown film makers with opportunities to display their films. Rev. Rul. 75–471, 1975–2 C.B. 207.
- H. Recording and selling, primarily to educational institutions, new works of unrecognized composers of contemporary symphonic and chamber music as well as neglected works of more established composers. Rev. Rul. 79–369, 1979–2 C.B. 226.
- I. Historic preservation of buildings for viewing by the general public. Rev. Rul. 75–470, 1975–2 C.B. 207.

2. Organizations that sponsor art exhibits may or may not be exempt, depending on the particular facts and circumstances:

- A. For a description of an exempt art exhibit, see Rev. Rul. 66–178, 1966–1 C.B. 138.
- B. A cooperative art gallery formed by artists to exhibit and sell their works does not qualify for exemption. Rev. Rul. 71–395, 1971–2 C.B. 228.
- C. An organization that sold works of art and turned most of the proceeds over to the individual artists was not exempt. Rev. Rul. 76–152, 1976–1 C.B. 151.
- D. An organization that sold works of art and turned most of the proceeds over to the individual artists was exempt. It operated in a part of the country where there were no nearby art museums. *Goldsboro Art League v. Commissioner*, 75 T.C. 337 (1980).

3. The promotion of theatrical productions can be an educational activity. See, for example:

- Community repertory theaters. Rev. Rul. 64–175, 1964–1 (Part 1) C.B. 185; and Rev. Rul. 64–174, 1964–1 (Part 1) C.B. 183.
- Sponsoring plays, musicals, and concerts. Rev. Rul. 73–45, 1973–1 C.B. 220.

4. *Plumstead Theatre Society, Inc. v. Commissioner*, 74 T.C. 1324 (1980), *aff'd* 675 F.2d 244 (9th Cir. 1982), involved an organization formed to promote theatre. The issue was whether an IRC 501(c)(3) organization can serve as a general partner to non-exempt limited partners in a limited partnership. The court, in holding that the organization was exempt, found that the organization's assets were shielded from the limited partners, the limited partners had no control over the organization, and the organization operated for charitable purposes.

5. Organizations that sponsor the performing arts must be nonprofit organizations in the sense that the earnings may not be distributed to individuals. For example:

- A. An organization that generated community interest in classical music by a for-profit radio

station did not qualify for exemption; the organization's activities benefited the radio station in more than an incidental way. Rev. Rul. 76-206, 1976-1 C.B. 154.

B. However, admission fees are not a bar to exemption. Reg. 1.501(c)(3)-1(d)(3)(ii) provide specifically for the exemption of symphony orchestras, which have traditionally charged substantial admission fees.

6. The Tax Court determined that an organization that purchased, imported and sold handicrafts of disadvantaged artisans was exempt, in that it alleviated economic deficiencies in objectively determined communities of disadvantaged artisans in the United States and abroad. *Aid to Artisans, Inc. v. Commissioner*, 71 T.C. 202 (1978), acq. in result only 1981-2 C.B. 1.