Rev. Rul. 67-6, 1967-1 C.B. 135

    An association whose activities are primarily devoted to
preserving the traditions, architecture, and appearance of a
community by means of individual and group action before the
local legislature and administrative agencies with respect to
zoning, traffic, and parking regulations may be exempt from
Federal income tax under section 501(c)(4) of the Internal
Revenue Code of 1954. It is not exempt under section 501(c)(3)
of the Code.

    Advice has been requested whether an association organized
and operated as described below qualifies for exemption from
Federal income tax under section 501(c)(3) or 501(c)(4) of the
Internal Revenue Code of 1954.

    The association was formed to preserve the traditions,
architectural style, and scenic appearance of an historic
community. The association's voting membership is restricted to
owners of real estate in the community. Associate membership is
open to all persons interested in its objectives.

    The primary activity of the association consists of
reviewing zoning matters affecting the community, and opposing
applications for changes or variances considered detrimental to
the traditions of the community. The association opposes such
changes through appearances before the local council,
administrative boards, and commissions. It also sponsors the
enactment of traffic and parking regulations, seeks better
lighting and sanitation facilities, and assists in
crime-prevention and anti-litter campaigns within the community.
 It implements these activities by encouraging members of the
community to contact local legislative representatives in support
of the association's programs. This constitutes a substantial
part of the association's activities.

    Section 501(c)(4) of the Code provides for the exemption
from Federal income tax of civic organizations not organized for
profit but operated exclusively for the promotion of social
welfare.

    Section 1.501(c)(4)-1(a)(2) of the Income Tax Regulations
states that an organization is operated exclusively for the
promotion of social welfare if it is primarily engaged in
promoting in some way the common good and general welfare of the
people of the community. An organization coming within the scope
of this section is one which is operated to bring about civic
betterment and social improvements.

    The preservation of the traditions, architecture, and
appearance of a community through the enforcement of zoning
regulations, the enactment of favorable traffic and parking
regulations, and the improvement of lighting, sanitation, and
crime-prevention facilities benefit all members of the community.

The association is thus promoting the common good and general welfare of the people of the community within the meaning of section 501(c)(4).

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

A "social welfare" organization may qualify for exemption as a charitable organization under section 501(c)(3) of the Code if it falls within the definition of "charitable" set forth in section 1.501(c)(3)-1(d)(2) of the regulations and is not an "action" organization as defined in section 1.501(c)(3)-1(c)(3) of the regulations. Failure to satisfy either of these requirements will disqualify an organization from exemption under section 501(c)(3) of the Code. See section 1.501(c)(4)-1(a)(2) of the regulations.

Section 1.501(c)(3)-1(d)(2) of the regulations defines the term "charitable" to include the advancement of education and the promotion of social welfare by organizations designed to combat community deterioration. Section 1.501(c)(3)-1(c)(3) of the regulations defines an organization as an "action" organization if a substantial part of its activities is attempting to influence legislation. The term legislation is defined as including actions by any local council or similar governing body, or by the public in a referendum.

Combating community deterioration through remedial action leading to the elimination of the physical, economic, and social causes of such deterioration is "charitable." Preserving and maintaining a historic or scenic area for the benefit and education of the general public also is "charitable." However, preserving the traditions, architecture, and appearance of a community for the benefit solely of residents of the community (as distinguished from the general public both within and without the community involved) is not "charitable." While such activities promote the common good and general welfare of the people of the community under section 501(c)(4) of the Code, they are not the promotion of social welfare within the scope of "charitable" under section 501(c)(3) as defined in the applicable regulations.

Furthermore, since the association as a substantial part of its activities is engaged in attempts to influence local legislative representatives with respect to the association's programs, it is an "action" organization within the contemplation

of section 1.501(c)(3)-1(c)(3)(ii) of the regulations.

In view of the above, the association is exempt under section 501(c)(4) of the Code as an organization operated exclusively for the promotion of social welfare, but is not exempt under section 501(c)(3) of the Code.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish an exemption under section 501(c)(4) of the Code, file an application on Form 1024, 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.