

MEMORANDUM

Truman Burke
May 25, 1973

File: OPERATION FUN

Mr. Robert Zinsky, Fiscal Officer, Pennsylvania State Police, Harrisburg, Pennsylvania, also Secretary-Treasurer, Pennsylvania State Police Civic Association, made available a photocopy, dated June 16, 1941, from the Office of Commissioner of Internal Revenue, Treasury Department, Washington, D. C. This pertains to tax exemption for the State Police Civic Association. The letter is as follows:

State Police Civic Association
Capitol Building
Post Office Box 871
Harrisburg, Pennsylvania

Reference: IT:P:T:1

June 16, 1941

Sirs:

Reference is made to the data submitted by you in support of your claim to exemption from Federal income and capital stock taxes for the years 1937, 1938, and 1939 under section 101(16) of the Internal Revenue Code and corresponding provisions of the Revenue Acts of 1936 and 1938.

From the evidence submitted, it appears that you were incorporated in 1922, under the laws of the State of Pennsylvania, to provide for and maintain a fund to be accumulated from dues paid by your members and from other proper sources for the relief, support and burial of certain of your members, and for other beneficial and charitable purposes. Your membership consists of all the regularly enlisted men and officers of the Pennsylvania Motor Police. Dues are assessed in the amount of 3 percent of the annual salary (not exceeding \$3,000.00) received by the members. They are deducted from the pay rolls of the various troops prior to payment of the individual salaries. Your activities consist of paying pensions and funeral expenses of deceased members, providing artificial eyes and limbs for members, and conducting field meets. Your income is derived from membership dues, interest on investments, field meets, etc. It is used to carry out the general purposes of your association and to defray operating costs. As stated in Article VI of the Certificate of Incorporation, your association has no capital stock.

In your protest filed for the year 1937, you cite G. C. M. 5921 (1929) Cum. Bull. VIII-1, 179, and contend that, in accordance with that memorandum, proceeds from field

meets are not required to be included in the income of an organization such as yours. You also contend that your income from tax-free securities should not be included in gross income. Deducting these amounts, you state that the dues collected from members were much more than 85 percent of your total income. You also contend that you qualify for exemption for the years 1938 and 1939.

Section 101(16) of the Internal Revenue Code and corresponding provisions of the Revenue Acts of 1936 and 1938 provide that the following organizations shall be exempt from taxation:

"Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if (A) no part of their net earnings inures (other than through such payments) to the benefit of any private shareholder or individual, and (B) 85 per centum or more of the income consists of amounts collected from members for the sole purpose of making such payments and meeting expenses;"

The income of your association from tax-free securities must be included as a part of your gross income. (See I. T. 2705, (1933) XII-2 Cum. Bull. 67.) Even though this office should concede your contention that the amount received from field meets in 1937 and 1938 is not includible in gross income, you fail to meet the requirements of the law in that less than 85 percent of your income consists of amounts collected from members. It is therefore held that you are not entitled to exemption under section 101(16) of the Revenue Acts of 1936 and 1938.

With respect to the year 1939, it does not appear from the evidence of record that the amount received from field meets may properly be classed as contributions within the meaning of G. C. M. 5921, supra. Accordingly, exemption under section 101(16) of the Internal Revenue Code is denied.

It is the opinion of this office, however, that you are entitled to exemption under section 101(8) of the Internal Revenue Code which provides for the exemption of:

"Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes;"

Similar provisions for the exemption from Federal income tax of organizations not organized for profit but operated exclusively for the promotion of social welfare are contained in prior revenue acts. Therefore, you will not be required to file returns for any year unless the purposes and method of operation of your organization are changed. In such case you should immediately notify the collector of internal revenue for your district in regard to such changes.

Since any organization which is exempt from Federal income tax under the provisions of section 101 of the Internal Revenue Code also is exempt from the capital stock tax pursuant to the express provisions of section 1201(a)(1) of the Internal Revenue Code, you will not be required to file capital stock tax returns for future years so long as the exemption from income tax is effective.

Bureau rulings of January 17, 1933, April 6, 1933 and June 23, 1937 are hereby revoked.

This ruling has been reviewed by the Chief Counsel, Bureau of Internal Revenue, who concurs in the conclusion reached.

Respectfully,

Commissioner

Also, Mr. Zinsky advised that there was no ad book printed in 1972 for the Association. The rodeo show was held in the eastern area in 1972. The show was held in Hershey as is customary every year. There was no show in the west in 1972.



TREASURY DEPARTMENT

WASHINGTON

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO.

JUN 16 1941

IT:P:T:1

CBF

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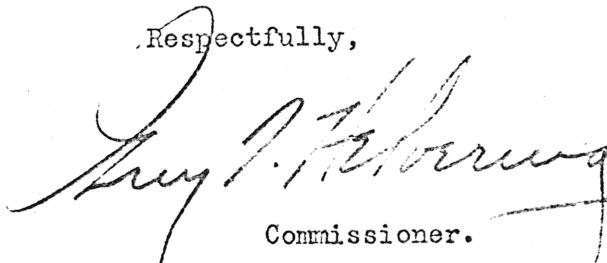
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