

## **Internal Revenue Code Tax Exempt Status Information**

AUI qualifies as a tax exempt organization under Section 501 (c) (3) of the Internal Revenue Code (IRC).

### Background

On February 19, 1952 the Internal Revenue Service (IRS) confirmed AUI federal tax exemption based on evidence that AUI was "...organized and operated exclusively for educational and scientific purposes."

Note: The above-referenced letter cites Section 101 (6) as the applicable portion of the 1939 version of the IRC. In 1954 the IRC was revised and the portion pertaining to AUI's federal tax exemption was changed to from Section 101 (6) to Section 501 (c) (3). In response to a request by AUI for a ruling as to whether AUI's employees were entitled to certain tax benefits as a result of AUI's tax exempt status, the IRS issued a November 26, 1969 letter which, in confirming that employees qualified for tax exempt benefits, noted the change in this change in the IRC section applicable to AUI's federal tax exemption.

### Attachments:

February 19, 1952 IRS letter re: AUI's federal tax exemption  
November 26, 1969 IRS letter re: AUI employee tax benefits  
IRC Section 501(c) (3)



U. S. TREASURY DEPARTMENT  
WASHINGTON 25

OFFICE OF  
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO  
COMMISSIONER OF INTERNAL REVENUE  
AND REFER TO

IT:P:ER-RD-4

FEB 19 1952

Associated Universities, Inc.  
Brookhaven National Laboratory  
Upton, Long Island, New York

Gentlemen:

It is the opinion of this office, based upon the evidence presented, that you are exempt from Federal income tax under the provisions of section 101(6) of the Internal Revenue Code, as it is shown that you are organized and operated exclusively for educational and scientific purposes.

Accordingly, you will not be required to file income tax returns unless you change the character of your organization, the purposes for which you were organized, or your method of operation. Any such changes should be reported immediately to the collector of internal revenue for your district in order that their effect upon your exempt status may be determined.

You will be required, however, to file an information return, Form 990A, annually, with the collector of internal revenue for your district so long as this exemption remains in effect. This form may be obtained from the collector and is required to be filed on or before the fifteenth day of the fifth month following the close of your annual accounting period.

Contributions made to you are deductible by the donors in computing their taxable net income in the manner and to the extent provided by section 23(o) and (q) of the Internal Revenue Code, as amended.

Bequests, legacies, devises, or transfers, to or for your use are deductible in computing the value of the net estate of a decedent for estate tax purposes in the manner and to the extent provided by sections 812(d) and 861(a)(3) of the Code. Gifts of property to you are deductible in computing net gifts for gift tax purposes in the manner and to the extent provided in section 1004 (a)(2)(B) and 1004(b)(2) and (3) of the Code.

Associated Universities, Inc.

In the event you have not filed a waiver of exemption certificate in accordance with the provisions of section 1426(1) of the Code, no liability is incurred by your organization for the taxes imposed under the Federal Insurance Contributions Act. Tax liability is not incurred by your organization under the Federal Unemployment Tax Act by virtue of the provisions of section 1607(c)(8) of such Act.

The collector of internal revenue for your district is being advised of this action.

The changes referred to in paragraph two have particular reference to activities other than the performing of research work under contract with the Atomic Energy Commission or other United States Government agency or the discontinuance of work for the Commission or other Government agency due to the nonrenewal of contracts with such agencies.

Bureau letter addressed to you at 333 Seventh Avenue, New York, New York, dated January 23, 1948, advising you that inasmuch as you have failed to establish an exempt status income tax returns should be filed by you, is hereby revoked.

By direction of the Commissioner.

Very truly yours,

*E. J. Mc Larney*  
Deputy Commissioner.



**Internal Revenue Service**

**Washington, DC 20224**

Date

In reply refer to

NOV 26 1969

T:MS:EO:R:3-MLW

Associated Universities, Inc.  
Upton, New York 11973

Gentlemen:

This is in response to your request for a ruling that your employees are entitled to the tax benefits provided in sections 101(b)(2)(B)(iii), 2039(c)(3), and 2517(a)(3) of the Internal Revenue Code. To be eligible for the benefits described in the sections mentioned above, an employer must be an organization described in section 503(b)(2) or 503(b)(3) of the Code.

On February 19, 1952, you were determined to be an organization described in section 101(6) of the Internal Revenue Code of 1939, (Section 501(c)(3) of the 1954 Code).

Your activities consist of the operation of Brookhaven National Laboratory and the National Radio Astronomy Observatory. Additionally, you provide research and advance training for scientists through your facilities. Although most research projects are performed under government contract, your facilities are made available for research to qualified members of the scientific community.

You state that you receive substantially all of your funds from the Federal government. Most funds are derived under contracts with the Atomic Energy Commission. Additional sums are paid by the National Science Foundation under the terms of your contract with it.

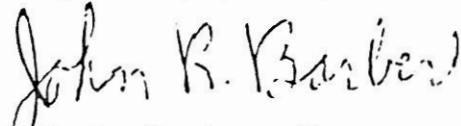
Section 503(b)(3) describes organizations exempt under 501(c)(3) that normally receive a substantial part of their support (exclusive of income received in the exercise or performance of their exempt purposes or function) from the United States or any State or political subdivision thereof or from direct or indirect contributions from the general public.

Associated Universities, Inc.

Based on the information supplied, we rule that you are an organization described in 503(b)(3) since you receive a substantial part of your income through contracts with agencies of the Federal government, and you maintain your facilities for the direct benefit of the public.

The District Director, Brooklyn, New York is being advised of this ruling.

Very truly yours,

A handwritten signature in dark ink, appearing to read "John R. Barber". The signature is written in a cursive, slightly slanted style.

Chief, Rulings Section  
Exempt Organizations Branch

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## Sec. 501. Exemption from tax on corporations, certain trusts, etc.

*TITLE 26, Subtitle A, CHAPTER 1, Subchapter F, PART I, Sec. 501.*

### STATUTE

**(a)** Exemption from taxation

An organization described in subsection (c) or (d) or section 401(a) shall be exempt from taxation under this subtitle unless such exemption is denied under section 502 or 503.

**(b)** Tax on unrelated business income and certain other activities

An organization exempt from taxation under subsection (a) shall be subject to tax to the extent provided in parts II, III, and VI of this subchapter, but (notwithstanding parts II, III, and VI of this subchapter) shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

**(c)** List of exempt organizations

The following organizations are referred to in subsection (a):

**(1)** Any corporation organized under Act of Congress which is an instrumentality of the United States but only if such corporation -

**(A)** is exempt from Federal income taxes -

**(i)** under such Act as amended and supplemented before July 18, 1984, or

**(ii)** under this title without regard to any provision of law which is not contained in this title and which is not contained in a revenue Act, or

**(B)** is described in subsection (l).

**(2)** Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under this section. Rules similar to the rules of subparagraph (G) of paragraph (25) shall apply for purposes of this paragraph.

**(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 to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), 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 (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

(4)

(A) 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.

(B) Subparagraph (A) shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

(5) Labor, agricultural, or horticultural organizations.

(6) Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(7) Clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

(8) Fraternal beneficiary societies, orders, or associations -

(A) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and

(B) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

(9) Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or designated beneficiaries, if no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual.

(10) Domestic fraternal societies, orders, or associations, operating under the lodge system -

(A) the net earnings of which are devoted exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and

(B) which do not provide for the payment of life, sick, accident, or other benefits.

(11) Teachers' retirement fund associations of a purely local character, if -