

Exemptions; natural childbirth educational organization. An organization established to educate persons in a particular method of natural childbirth that as its primary activity operates a school offering two courses to educate prospective parents and train medical professionals, and that meets the requirements relating to faculty, curriculum, and enrolled student body, qualifies as a nonprofit educational organization for purposes of the exemption from the retailers, manufacturers, and communication taxes.

Advice has been requested whether the organization described below is a 'nonprofit educational organization' for purposes of the Federal excise tax exemptions provided by sections 4057(a), 4221(a)(5), and 4294(a) of the Internal Revenue Code of 1954.

The organization was established to educate persons in a particular method of natural childbirth, and to engage in research activities in the method. Its primary activity is the operation of a school which offers a six week course to educate prospective parents and a nine week course to train medical professionals in this method. The school has a regular faculty of eight qualified instructors, all registered nurses. The courses are offered continually throughout the year, with classes held once a week for two hours. The organization has been recognized as exempt from Federal income tax under section 501(a) of the Code as an organization described in section 501(c)(3).

There are no restrictions against admissions based on race and the organization has a racially nondiscriminatory policy as to students within the meaning of Rev. Rul. 71-447, 1971-2 C.B. 230.

Sections 4057(a) and 4221(a)(5) of the Code provide that, under regulations prescribed by the Secretary of the Treasury or his delegate, no retailers excise taxes or manufacturers excise taxes shall be imposed on sales of taxable articles to a nonprofit educational organization for its exclusive use, or in the case of a tax imposed by section 4041, with respect to the use by a nonprofit educational organization of any liquid as a fuel.

Section 4294(a) of the Code provides that, under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under section 4251 on any amount paid by a nonprofit educational organization for services or facilities furnished to such organization.

Under the provisions of sections 4057(b), 4221(d)(5), and 4294(b) of the Code, the term 'nonprofit educational organization' means an educational organization described in section 170(b)(1)(A)(ii) that is exempt from income tax under section 501(a). (Section 170(b)(1)(A)(ii) describes an educational organization as an organization that normally maintains a regular faculty and curriculum and normally has a regularly enrolled body

of pupils or students in attendance at the place where its educational activities are regularly carried on.)

In order for the aforementioned exemptions to apply, an organization must meet the description of a 'nonprofit educational organization' set forth in section 170(b)(1)(A)(ii) of the Code. That is, the organization must normally maintain a regular faculty and curriculum, and normally have a regularly enrolled body of pupils at the place where its educational activities are regularly carried on.

The organization's classroom and research activities relate to its primary function of educating people in its particular area of concern. Although it offers only courses of study in natural childbirth and conducts classes only once a week, it maintains a 'curriculum' for purposes of the applicable section of the Code. Furthermore, it maintains a regular faculty and, for each complete course, it has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

Accordingly, the organization is a 'nonprofit educational organization' within the meaning of sections 4057(b), 4221(d)(5), and 4294(b) of the Code. Therefore, the exemptions from the retailers excise taxes and the manufacturers excise taxes provided by sections 4057(a) and 4221(a)(5), and the exemption from the communication taxes provided by section 4294(a), apply to sales of taxable articles or communications services to the organization.