

Rev. Rul. 68-534, 1968-2 C.B. 217

An organization publishing a labor newspaper may qualify for exemption under section 501(c)(5) of the Code; S.M. 2558 superseded.

The purpose of this Revenue Ruling is to update and restate under the current statute and regulations the position set forth in S.M. 2558, C.B. III-2, 207 (1924).

A nonprofit corporation, owned by several labor unions, publishes a labor newspaper. The paper publicizes the activities of the unions and contains articles and editorials of interest to organized labor but contains no paid advertising. It is distributed to the members of the unions and to interested members of the public. Publication and distribution expenses are borne by the unions, each paying a proportionate share of the cost.

Section 501(c)(5) of the Internal Revenue Code of 1954 provides for the exemption from Federal income tax of labor organizations.

Section 1.501(c)(5)-1 of the Income Tax Regulations provides that labor organizations entitled to exemption from Federal income tax are those which (1) have no net earnings inuring to the benefit of any members, and (2) have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

Furnishing information to members about union activities and goals is a proper function of a labor union and directly furthers its purposes. Therefore, a labor union that publishes a newspaper of the type described is performing an exempt function.

An organization that is engaged exclusively in activities appropriate to an exempt labor union may itself qualify for exemption under section 501(c)(5) of the Code. *Portland Cooperative Labor Temple Association v. Commissioner*, 39 B.T.A. 450, (1939), acquiescence, C.B. 1939-1, 28. It is the nature of the activities that is controlling, not the fact that the activities are carried on in behalf of several labor unions.

Accordingly, the organization is exempt from Federal income tax under section 501(c)(5) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must (in order to establish exemption under section 501(c)(5) 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.

S.M. 2558 is hereby superseded since the position stated therein is restated under current law in this Revenue Ruling.

Prepared pursuant to Revenue Procedure 67-6, C.B. 1967-1, 576.