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Challenge to Tax Exemption

The Internal Revenue Service is considering taxing many normally tax-exempt scientific societies because they engage in activities considered by IRS to be not closely enough related to the purposes for which tax-exempt status was granted. By law, *unrelated* commercial activities are subject to taxation even if the income goes to a tax-exempt body; the classic case is the macaroni factory owned by a university. The position which IRS seems now to be taking is that the sale of advertising in association journals and the sale of subscriptions to nonmembers are not sufficiently related to the normal purposes of a scientific society for income from these activities to remain free from taxation.

The IRS has a very proper interest in collecting all taxes it considers due the federal government. But one of the arguments for taxing scientific societies seems strained—namely, that income other than that received directly from members helps to pay expenses, makes dues or fees lower than they would otherwise be, and thus violates the requirement that no part of the net earnings of a tax-exempt organization should inure to the benefit of the individual members.

Congressman Patman's attacks against tax-exempt foundations add a bit of flavor to the situation. So do the cries of the editors and publishers of a few commercial magazines. Now that the numbers of scientists and engineers, the industrial uses of their talents, and the variety of equipment for which they are responsible have grown to their present state, a Johnny-come-lately commercial interest in the technical publishing field has blossomed. The proprietors of some of these magazines that are given away free and that depend entirely upon advertisers for their income find life hard and think it would be easier if association-owned magazines were taxed.

On the other side of the case is the established public policy of granting tax exemption for certain specified activities that are carried out in the public interest rather than for private gain. To be considered, also, is a long history of association sponsorship and members' support of publications that did not have, and often still do not have, sufficient circulation to be commercially attractive but that have helped to build the scientific and engineering enterprise to its present state. To take a specific example, it would be silly in practice and harassing in principle to require the American Mathematical Society to compute annually the "profit" made on subscriptions to its *Bulletin* entered by universities, government laboratories, foreign scientists, and other nonmembers. All in all, opposition to the proposed changes will be strong. Representative Curtis of Missouri has introduced a bill to prevent IRS from making them. The bill will not be acted upon by this Congress, but it is a warning. If IRS proceeds, a similar bill will be introduced next year and will stand a good chance of adoption, for the new rulings would hit not only scientific societies but also religious, charitable, educational, labor, and other professional societies.

If IRS does try to change the rules along the indicated lines, we predict that it will be forced to retreat. Nevertheless, it will be prudent for officers and members of scientific societies to be warned of the probable struggle and to examine carefully the proposed new rulings when they are made public.—DAEL WOLFLE