***Forest Press, Inc. v. Commissioner*, 29 T.C. 108 (1957)**

A corporation is exempt from federal income tax under Section 101(6) of the Internal Revenue Code if it is both organized and operated exclusively for educational purposes, regardless of the breadth of its corporate charter, as long as its activities and purpose demonstrate an exclusive dedication to those purposes.

Summary

The case concerns whether Forest Press, Inc., a corporation formed to publish the Dewey Decimal Classification System, qualified for a tax exemption as an educational organization under Section 101(6) of the Internal Revenue Code. The Commissioner argued that Forest Press was not organized and operated exclusively for educational purposes, as its charter was broad and its activities were commercial. However, the Tax Court found that the corporation's actual purpose and operations, focused solely on the publication of an educational tool, were determinative. Even though the corporation's charter allowed for other activities, its consistent dedication to educational publishing entitled it to the tax exemption.

Facts

Forest Press, Inc. was created to publish the Dewey Decimal Classification System. The corporation's activities were limited to preparing, editing, and publishing the Dewey Decimal System. The Commissioner of Internal Revenue contended that Forest Press was not organized and operated exclusively for educational purposes under Section 101(6) of the Internal Revenue Code. The IRS argued that the charter was broad, allowing for non-educational activities. The corporation argued that the system was an important tool for educational purposes and that its activities were solely focused on the publication of this work.

Procedural History

The case was heard in the United States Tax Court. The IRS challenged the corporation's claim for exemption under Section 101(6) of the Internal Revenue Code. The Tax Court sided with the petitioner, Forest Press, Inc.

Issue(s)

1. Whether Forest Press, Inc. was organized exclusively for educational purposes under Section 101(6) of the Internal Revenue Code.

2. Whether Forest Press, Inc. was operated exclusively for educational purposes under Section 101(6) of the Internal Revenue Code.

Holding

1. Yes, because the evidence showed that Forest Press was formed to publish the

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Dewey Decimal System, thereby serving an educational purpose.

2. Yes, because the evidence showed that Forest Press's activities during the relevant years were confined to the preparation and publication of the Dewey Decimal Classification System, which served an educational purpose.

Court's Reasoning

The Tax Court focused on the actual purpose and activities of Forest Press. The court held that the fact that the corporation's charter might have permitted other, non-educational activities was not, by itself, controlling. The court stated that the purpose of the organization and its operations are questions of fact, and that the evidence may show that the purpose was educational, despite the implications of the statute. The Court cited *Unity School of Christianity*, stating "the fact that the incorporation was under the business law is indicative of its commercial purpose. This might be significant if not otherwise explained, but it is not conclusive." The Court noted that the corporation's activities were exclusively the publication of the Dewey Decimal Classification System. The court contrasted the case with others where the corporations were engaged in commercial enterprises, even if the profits were dedicated to exempt purposes, stating that in this case the corporation was both organized and operated exclusively for educational purposes.

Practical Implications

The case provides clear guidance for organizations seeking tax-exempt status under Section 101(6). It emphasizes that the focus is on the actual operation and purpose of the organization, not just the breadth of its corporate charter. This means that organizations engaged in educational activities may still qualify for tax-exempt status even if their charter allows for other activities. The ruling is important for publishers and organizations engaged in educational activities, highlighting the significance of demonstrating an exclusive focus on educational purposes. The court emphasized the importance of the activities of the corporation to determine tax-exempt status, rather than just its ability to engage in other activities. The case can be cited to demonstrate that if an organization is exclusively dedicated to an educational activity, it can qualify for a tax exemption.

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