***Aid to Artisans, Inc. v. Commissioner, 71 T. C. 202 (1978)***

An organization's commercial activities can qualify as furthering exempt purposes if they are primarily undertaken to accomplish charitable, educational, or other exempt goals.

**Summary**

Aid to Artisans, Inc. , sought tax-exempt status under IRC section 501(c)(3) for its activities of purchasing, importing, and selling handicrafts from disadvantaged communities. The IRS denied the exemption, arguing that the organization served private interests of the artisans. The Tax Court disagreed, holding that the organization's primary activities furthered exempt purposes such as alleviating economic deficiencies, educating the public, preserving authentic handicrafts, and stabilizing disadvantaged economies. The court emphasized that the organization's profits were used exclusively for these exempt purposes, not retained, and that any incidental benefit to non-disadvantaged artisans was insubstantial.

**Facts**

Aid to Artisans, Inc. , was incorporated in Massachusetts in 1975 to promote and expand handicraft production in disadvantaged communities worldwide. The organization's activities involved purchasing handicrafts from craft cooperatives in disadvantaged areas, importing them to the U. S. , and selling them through museum and nonprofit shops. All profits were earmarked for supporting the artisans and their communities. The IRS denied the organization's application for tax-exempt status under IRC section 501(c)(3), asserting that the organization's primary purpose was commercial and that it served the private interests of the artisans.

**Procedural History**

Aid to Artisans filed a petition with the U. S. Tax Court seeking a declaratory judgment that it qualified as a tax-exempt organization under IRC section 501(c)(3). The IRS issued a proposed adverse ruling, which Aid to Artisans protested. After a conference, the IRS issued a final adverse ruling. The case was submitted to the Tax Court based on the administrative record.

**Issue(s)**

1. Whether Aid to Artisans is operated exclusively for exempt purposes within the meaning of IRC section 501(c)(3)?

**Holding**

1. Yes, because the organization's primary activities of purchasing, importing, and selling handicrafts further exempt purposes such as alleviating economic deficiencies in disadvantaged communities, educating the public, preserving

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authentic handicrafts, and achieving economic stabilization in disadvantaged areas where handicrafts are central to the economy.

### Court's Reasoning

The court analyzed whether Aid to Artisans' primary activities furthered exempt purposes and whether any nonexempt purposes were insubstantial. The court found that the organization's activities served four exempt purposes: alleviating economic deficiencies, educating the public, preserving authentic handicrafts, and stabilizing disadvantaged economies. The court noted that the organization's profits were used exclusively for these exempt purposes, not retained, and that any incidental benefit to non-disadvantaged artisans was insubstantial. The court also rejected the IRS's argument that the organization served private interests, finding that the benefited class of "disadvantaged artisans" was sufficiently charitable and indefinite. The court cited *Elisian Guild, Inc. v. United States* to support its conclusion that the organization's activities were not an end unto themselves but were undertaken to accomplish exempt purposes.

### Practical Implications

This decision clarifies that nonprofit organizations can engage in commercial activities and still qualify for tax-exempt status if those activities are primarily undertaken to further exempt purposes. Practitioners should focus on ensuring that any profits generated by commercial activities are used exclusively for exempt purposes and that any incidental private benefits are insubstantial. The decision also highlights the importance of clearly defining the charitable class to be benefited and demonstrating that the organization's activities serve a public rather than a private interest. Subsequent cases have cited this decision in determining whether an organization's commercial activities preclude tax-exempt status.

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