

Rev. Rul. 55-610, 1955-2 C.B. 262

An organization is formed to operate the activities which its principal founder conducted as his personal undertaking or hobby in prior years. The organization plans to reimburse its founder for the expenses incurred by him in prior years in the conduct of these activities. Held, since a portion of the net earnings of the organization will inure to the benefit of the founder, the organization is not entitled to exemption from income tax under section 501(c)(3) of the Internal Revenue Code of 1954.