



Indiana University of Pennsylvania

[www.iup.edu](http://www.iup.edu)

**Financial Operations**

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Dear Sir or Madam,

Indiana University of Pennsylvania (IUP) is a member institution of the Pennsylvania State System of Higher Education. The Pennsylvania State System of Higher Education is an agency and instrumentality of the Commonwealth of Pennsylvania, which oversees IUP and thirteen other state-owned and state-operated universities.

Section 115 of the Internal Revenue Code establishes the tax-exempt status of agencies and instrumentalities of state governments. IUP, as a component part of the Pennsylvania State System of Higher Education, is classified as a political subdivision and an instrumentality of state government. Therefore, IUP is a tax-exempt entity under Section 115 of the Internal Revenue Code. Since IUP is considered a tax-exempt entity under Section 115, IUP is not considered a tax-exempt corporation under section 501(c)(3) of the Internal Revenue Code. Therefore, a tax-exempt determination letter has not been issued to IUP under IRS Code Section 501(c)(3).

Enclosed within this document are excerpts of Section 115 of the Internal Revenue Code stating the tax exemption criteria applicable to IUP and of the Pennsylvania Commonwealth Act 188 of 1982, the statute establishing the Pennsylvania State System of Higher Education and enumerating IUP's status as a component part of the System.

Please feel free to contact me if you have any questions.

Sincerely,

Gregory Cessna, CPA  
Associate Director of Financial Operations

Enclosures

**Excerpts from IRC Sec. 115. Income of States, municipalities, etc.**

Gross income does not include--

(1) income derived from any public utility or the exercise of any essential governmental function and accruing to a State or any political subdivision thereof, or the District of Columbia; or

(2) income accruing to the government of any possession of the United States, or any political subdivision thereof.

## **Excerpts from Act 188 of 1982 - Commonwealth of Pennsylvania**

### **Section 20-2002-A. - Establishment of the State System of Higher Education and Its Institutions**

(a) Subject to the regulatory powers conferred by law upon the State Board of Education, there is hereby established a body corporate and politic constituting a public corporation and government instrumentality which shall be known as the State System of Higher Education, independent of the Department of Education, hereinafter referred to as the System, which shall consist of the following institutions, and such other institutions, presently existing or newly created, as may hereafter be admitted by the Board in concurrence with other agencies as required by law:

- (1) Bloomsburg State College;
- (2) California State College;
- (3) Cheyney State College;
- (4) Clarion State College;
- (5) East Stroudsburg State College;
- (6) Edinboro State College;
- (7) Indiana University of Pennsylvania;
- (8) Kutztown State College;
- (9) Lock Haven State College;
- (10) Mansfield State College;
- (11) Millersville State College;
- (12) Shippensburg State College;
- (13) Slippery Rock State College; and
- (14) West Chester State College.

(b) Each of the said institutions shall hereafter be known as the (Name) University of Pennsylvania of the State System of Higher Education, except for Indiana University of Pennsylvania, which shall retain its name. As successor institutions to the State Normal Schools, appropriations for their operation are ordinary expenses of government, requiring only a majority vote of each house of the General Assembly. The State System of Higher Education shall have the same preferred status for appropriations as is enjoyed by its constituent institutions. State funds appropriated to the System shall be allocated to the individual institutions on a formula based on, but not limited to, such factors as enrollments, degrees granted, and programs.

## **Section 20-2003-A. – Purposes and General Powers**

(a) The State System of Higher Education shall be part of the Commonwealth's system of higher education. Its purpose shall be to provide high quality education at the lowest possible cost to the students. The primary mission of the System is the provision of instruction for undergraduate and graduate students to and beyond the master's degree in the liberal arts and sciences and in applied fields, including the teaching profession. Graduate instruction at the doctoral level, except for doctoral programs provided for in the act of December 16, 1965 (P.L. 1113, No. 430), known as the "Indiana University of Pennsylvania Act," only may be offered jointly with Indiana University or an institution chartered to offer work at the doctoral level. Programs of research and service may be provided which are approved by the Board of Governors, and which are consistent with the primary mission of the System. Each institution shall provide appropriate educational facilities, student living facilities, and such other facilities as deemed necessary by the Board.

(b) The System is hereby granted and shall have and may exercise all the powers necessary or convenient for the carrying out of the aforesaid purposes, including, but without limiting the generality of the foregoing, the following rights and powers:

(1) To have perpetual existence as a corporation.

(2) To adopt, use and alter at will a corporate seal.

(3) To acquire, purchase, hold, lease as lessee and use any property, real, personal or mixed, tangible or intangible, or any interest therein, lease as lessor any property, real, personal or mixed, tangible or intangible, necessary or desirable for carrying out the purposes of the System, and to sell, transfer and dispose of any property acquired by gift, grant, devise or bequest, whether the property is real, personal or mixed, tangible or intangible, or any interest therein; to take, demand, receive, and possess all moneys, real property and goods which shall be appropriated, given or granted to for the use of the System and to apply the same according to the will of the donors; to sell, transfer and dispose of real property acquired by and titled to the System upon approval by the General Assembly as provided in Section 2018-A; and by gift, purchase or devise to receive, possess, enjoy and retain forever any and all real and personal estate and funds, of whatsoever kind, nature or quality the same may be, in special trust and confidence that the same, and the profits thereof, shall be applied to and for the use and purpose of endowing the System, and shall have power to receive donations from any source whatever, to be exclusively devoted to the purposes of the System or according to the terms of donation: Provided, however, that the System shall have no power at any time or in any manner, to pledge the credit or taxing power of the Commonwealth, nor shall any of its obligations or debts be deemed to be obligations of the Commonwealth, nor shall the Commonwealth be liable for the payment of principal or interest on such obligations. Nothing herein shall empower the Board of Governors or the chancellor to take or receive any moneys, goods or other property, real or personal, which is given or granted to specific institutions.