



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: **MAR 19 2002**

Employer Identification Number:
[REDACTED]

Person to Contact:

[REDACTED] ID # [REDACTED]

Telephone Number:

[REDACTED], Fax [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

CERTIFIED MAIL

Dear Applicant:

We have considered your request for recognition of exemption under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for exemption under this section. Our reasons for this determination are explained below.

The information submitted indicates that you were incorporated under the laws of [REDACTED] on [REDACTED]. The corporation's stated purposes are as follows:

- (a) The promotion of professional fishermen and the professional fishing industry by providing better conditions and benefits for its members,
- (b) Promote and improve fishing tournaments,
- (c) Provide benefits for professional fishermen, including continuing education, small business counseling, guidance in financial, insurance, legal and medical matters, and,
- (d) Assist professional fishermen in retirement planning.

In the description of activities submitted with your application, you indicate your "goal is to create a membership driven organization which provides benefits, retirement and business support, for the professional fishermen. It will allow its members access to programs with group rates."

[REDACTED]

Your income is derived from the sale of memberships, sponsorships, magazine advertising, insurance sales commissions and Web site advertising. Expenditures are identified as operating expenditures, salaries, Cost of Goods Sold, marketing, training and interest expenses.

Membership in your organization is required of all wishing to fish in tournaments sanctioned by the Society and includes the following classes:

	Dues	Initiation
Associate,	\$ [REDACTED]	
Tackle Retail, Small Business Independent,	\$ [REDACTED]	\$ [REDACTED]
Guides, Charter Mates, Lodge Owners,	\$ [REDACTED]	\$ [REDACTED]
Semi-Pro,	\$ [REDACTED]	\$ [REDACTED]
Full time Pro Bass, Walleye, Offshore	\$ [REDACTED]	\$ [REDACTED]

Information submitted with your application describes the benefits conferred upon membership, including publication and promotional, group rates for medical, insurance, retirement, annuities, pension, small business loans, retirement planning, mutual funds, tournament participation and; training, professional classes and individual improvement.

Sponsorship includes cover page logo on all written materials, corporate logo on your Web page as Sponsor, Corporate Name entitlement in all news briefs, full page ad in "Society Publication" and media release declaring such sponsors as licensed sponsors of the Society as well as a seat on the advisory board.

Section 501(c)(6) of the Internal Revenue Code of 1954 describes certain organizations exempt from federal income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real-estate boards of trade, or professional football leagues, whether or not administering a pension fund for football players not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the Income Tax Regulations provides, in part, as follows:

"A business league is an association of persons having a some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

[REDACTED]

Revenue Ruling 68-264, 1968-1 C.B. 264 describes an organization whose members are engaged in a particular line of business was incorporated to operate as its primary activity, a traffic bureau for members and nonmembers as a service in the shipment of their goods and products. The services it provided to members included quotations of freight rates, rules, and practices; investigations of loss, damage, and overcharge claims, handling of rate cases for individual members before regulatory bodies; investigation of complaints on transportation services; and furnishing of information on transportation laws. The organization's income consisted of membership fees, an annual payment by the chamber of commerce and payments by business firms for services performed. It was concluded that this primary activity of operating a traffic bureau for members as well as nonmembers, was a clear convenience and economy to them in their businesses, resulting in savings and simplified operations. It was held that this constituted a regular business of a kind ordinarily carried on for profit and precluded exemption under section 501(c)(6) of the Code.

Further, activities that constitute the performance of particular services for individual persons, precludes exemption under section 501(c)(6) of the Code. In *Indiana Retail Hardware Association, Inc. v. United States*, 366 F.2d 990 (1986) it was held that the high percentage of income derived from performing particular services for individuals as a convenience and/or economy to members in the operation of their businesses as well as its other income producing activities, was sufficiently substantial so that the income producing activities could not be said to be merely incidental but were rather, main purposes. It was the opinion of the court that, granting exemption from the payment of taxes to an organization engaged to such a large extent, in activities ordinarily carried on for profit by persons liable for the payment of taxes on the income derived from such activities, is not consistent with the statutes.

In Revenue Ruling 74-81, 1974-1 C.B. 135, an organization was formed to promote the business welfare and interests of persons engaged in the contracting trade and related industries and whose principal activity is to provide its members with group workmen's compensation insurance. The organization's objective was to promote and protect the interests of its members. Membership was limited to any individual, corporation, company or firm engaged in this line of business. The organization provided its members with group workmen's compensation insurance, which was underwritten by a private insurance company. This operation of providing insurance was the organization's primary activity. The organization's receipts consisted of membership dues and amounts refunded by the insurance company representing excess premium charges paid by members. Expenditures were made for distribution of refunds, the promotion of safety investigations and miscellaneous administrative costs. This organization was determined to be rendering particular services for individual persons as it relieved members of obtaining such insurance on an individual basis and this resulted in a convenience in the conduct of their businesses. This is, likewise distinguished from the improvement of business conditions in such line of business.

[REDACTED]

In Revenue Ruling 64-315, 1964-2 C.B.147, an association of merchant's, activities consisted of publication of an advertising newspaper referred to as the "shopping news", advertising in other community publications, sponsorship of commercial advertising on television and radio, and certain promotions designed to attract shoppers. The shopping news consisted primarily of advertising by member merchants, paid for by the individual merchants. The other mediums of advertising also carried or contained the names of individual merchants. Some were however, paid for with funds of the association. The activity was considered performing particular services for members rather than an activity directed toward the improvement of business conditions as required by the income tax regulations.

Your activities are substantially identical to those described in the Revenue Rulings and court cases cited. While you make minimal reference to training, professional classes and individual improvement, nothing included with your submission supports this. Rather, the information submitted indicates a significant amount of income and apparently time devoted to providing financial benefits as well as health and retirement incentives and advertising.

Included with your submission, is a "Business Plan" that outlines the organization's goals and objectives. The document, particularly the section describing "The Offerings", provides a clear indication that the organization is primarily formed as a convenience and /or economy to members in the operation of their businesses by offering products.

Assuming the organization does engage in any training or other activities considered to advance common business interests as provided for in this section, your activities of offering and delivering health, insurance and retirement benefits, etc., is primary and a detriment to your qualification under section 501(c)(6). It was not Congress' intent to grant exemption from the payment of taxes to an organization engaged to such a large extent, in activities ordinarily carried on for profit by persons liable for the payment of taxes on the income derived from such activities.

Therefore, you do not qualify for tax exempt status as an organization described in section 501(c)(6) of the Internal Revenue Code. You are required to file Federal income tax returns on Form 1120.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement Form 6018. Please note the enclosed instructions for signing attached to the Form.

[REDACTED]

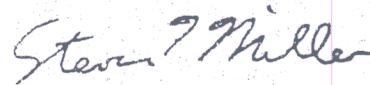
If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or if you request, a mutually convenient District Office. If we do not hear from you within 30 days from the date of this letter, this determination will become final.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Any response to this letter should be addressed as follows:

Internal Revenue Service
T:EO:RA:QA
550 Main Street Room 6417
PO Box 2508
Cincinnati OH 45201

Sincerely,



Director, Exempt Organizations

Enclosures:

Publication 892
Form 6018