

Internal Revenue Service

Department of the Treasury

Date: SEP 05 2000

Key District:

Tax Year(s) Ending:

Person to Contact:

Badge No.:

Contact Telephone Number:



Dear Sir or Madam:

We have considered your appeal of the adverse action proposed by your Key District Director. The paragraph(s) checked below indicate(s) our decision.

- Your exemption from Federal income tax under section 501(c)(6) of the Internal Revenue code is:
 - confirmed.
 - modified. A new determination letter is enclosed.
 - denied or revoked. You are required to file Federal income tax returns on Form 1120 for the above years. You should file these returns with your key District Director, EP/EO Division, within 30 days from the date of this letter, unless a request for extension of time is granted.
- You are not a private foundation because you are described in code section(s) _____.
- You are an operating foundation as described in code section 4942(j)(3).
- You have no liability for excise taxes under IRC _____ for the above year(s).
- Your liability for excise taxes under IRC _____ for the above year(s) was properly reported on your return(s).



There is no change to your unrelated business income tax liability as reported for the above years.

Your Form(s) 990-T for the above years are accepted as filed.

You may direct questions about the decision to the appeals officer whose name and telephone number are shown above.

Sincerely yours,

A large black rectangular redaction box covering the signature of the Associate Chief.

Associate Chief

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PERSON TO CONTACT:

CONTACT TELEPHONE NUMBER:

IN REPLY REFER TO:

EP/EO:T

DATE: JUL 13 1999

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for tax exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

You incorporated in the State of [REDACTED] on [REDACTED] to promote and maintain effective communications between agents and insurance companies, their subsidiaries, affiliates and partners; to foster and encourage fellowship among agents and their families; to encourage increased competence through continuous study of professional industry courses; to provide information for all members on national and local issues that are of importance to the industry via a newsletter; to search for ways career agents may benefit their practice; to provide administrative assistance to the family of a deceased member; to provide assistance during periods of incapacitation for the maintenance and operation of the agency; and to do such other activities designed to promote and improve the business of independent insurance contractors.

To create a forum from which rules, principles, ideas, statements, papers, journals, dissertations and studies can be presented publicly for analysis, debate, resolution and publication on those subjects that are inherent and of interest to the business pursuits of the member agents and their principal pertaining to the insurance business.

To promote professionalism and ethical practice, placing and serving to the policyholder and public first and foremost within the insurance industry.

[REDACTED]
7-13-99

You are a membership organization comprised of four classes of members, which are:

- Regular – any person who is a [REDACTED] agent and holds a resident agent's license issued by the State of [REDACTED] and whose principal insurance office is located within the State of [REDACTED]
- Associate – any person who is licensed by [REDACTED] as an Associate Agent of any Regular Member of this Association. An Associate member shall receive only those benefits, rights, and privileges of membership as granted by the Board of Director's however, such rights and privileges shall not include the right to vote or to hold any office this Association.
- Subscribing – any person whose business or profession involves a close relationship with the insurance business of Regular members. A subscribing member shall receive only those benefits, rights, and privileges of membership as granted by the Board of directors; but such rights and privileges shall not include the right to vote or to hold any office of this Association. Dues by this class of members will be retained in their entirety by [REDACTED].
- Retired – any person who retires as [REDACTED] may choose to participate in the Association as ACTIVE. Active retired members can hold office, vote and serve on the Board of Directors. Their dues shall be [REDACTED]% of that for regular members.

Page 2 of your 1024 application indicates the organization engages in the following:

1. Preparing a BI-monthly publication for members containing educational and informative materials concerning current problems confronting agents and recommended solutions. Approximately [REDACTED]% of the Corporation's annual expenses are allocated to this activity.
2. Conducting a running study and discussion among its member agents of the ever increasing agent insurance costs and steps which may be taken by members to secure E & O insurance and medical and other insurance at reasonable prices which will enable them to operate their businesses in a more cost efficient fashion. Approximately [REDACTED]% of the Corporations' annual expenses as allocated to this activity

3. Overseeing a program to allow agents to meet at the state level to discuss common issues such as agent income tax questions, agent termination by insurance carriers, professional development, office management, and other common business issues related to the insurance agency business. Approximately █% of the Corporation annual expenses are allocated to this activity.
4. Holding an annual convention for its members to discuss agent problem areas and recommend solutions. Approximately █% of the Corporation's annual expenses are allocated to this activity.
5. Promoting just cause legislation at the state level to prevent unfair termination of insurance agents by insurance companies. Approximately █% of the Corporation's annual expenses are allocated for this activity.

Income is derived from dues, advertising, fundraising, promotions and interest and expended for fundraiser, operation, travel and meetings.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a business league is an association of persons having 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. 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.

In American Automobile Association vs. Commissioner, EC 1146 (1953), is a national association composed of individual automobile owners and affiliated auto clubs. Notwithstanding its broad purposes to improve highway traffic safety and to educate the public in traffic safety, it's principal activities were determined to consist of securing benefits and performing particular services for members and therefore, did not qualify for exemption as business league.

Revenue Ruling 56-65, published in Cumulative Bulletin 1956-1, on page 194, held that a local organization whose primary activity consisted of furnishing particular information and specialized individual service to its individual members engaged in a particular industry through publications and other means to effect economies in the operation of their individual businesses was performing particular services for individual persons. Such organization did not qualify for exemption under section 501(c)(6), of the Internal Revenue Code as a business league even though it performed functions, which were of benefit to the particular industry and the public generally.

Further clarification of your activities revealed that you provide services to your members through financial and legal assistance and studies on how to purchase reasonable insurance to make their businesses more cost efficient.

We have determined that the service you provide, which encompasses █% of your time, is a particular services and defeats exemption. (Precedence cited above).

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code. In accordance with this determination, you are required to file Federal income tax returns on Form 1120. Contributions to your organization are not deductible by donors under section 170(c)(2) of the Code.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If someone who is not one of your principal officers will represent you, that person will need to file a power of attorney or tax information authorization with us.

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination in this matter. Further, if you do not appeal this determination in a timely matter, it will be considered by the Internal Revenue Service as a failure to exhaust administrative remedies.

