

A corporation organized and operated primarily for the purpose of promoting a common business interest and bettering the business conditions of one or more lines of business, which otherwise meets the tests for exemption under section 501(c)(6) of the Internal Revenue Code of 1954, is exempt under that section as a business league even though its sole activity is directed to the influencing of legislation which is germane to such common business interest.

Revenue Ruling 54-442, C.B. 1954-2, 131, modified.

Advice has been requested whether an organization formed for the purpose of promoting a common business interest and bettering the business conditions of one or more lines of business which otherwise meet the tests for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1954, may qualify for exemption under that section where its sole or principal activity is the advocacy of legislation beneficial to such common business interest.

The membership of the instant organization is composed of business groups and individuals representing diverse lines of endeavor and geographic areas. They are united for the purpose of promoting a common business interest and improving their business conditions by working for the enactment of legislation designed to improve their competitive standing in the various lines of business, industry, etc., in which they are engaged.

Section 501(c)(6) of the Code describes certain organizations exempt from Federal income tax under section 501(a) of the Code and reads as follows:

Business leagues, chambers of commerce, real-estate boards, or boards of trade, 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 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. \* \* \*

There is no requirement, by statute or regulations, that a business league, chamber of commerce, etc., in order to be

considered exempt as such, must refrain from carrying on propaganda or influencing legislation.

The objectives sought by the instant organization can be attained only through legislation. It follows, therefore, that its legislative activities are germane to the attainment of its objectives. Accordingly, it is held that it qualifies for exemption from Federal income tax as a business league within the contemplation of section 501(c)(6) of the Code even though its sold activity is the advocacy of legislation.

Revenue Ruling 54-442, C.B. 1954-2, 131, relating to the exemption of business leagues from Federal income taxation, is hereby modified to the extent that it suggests that engaging in other than incidental legislative activities will necessarily disqualify an organization from exemption under section 101(7) of the Internal Revenue Code of 1939, now section 501(c)(6) of the Internal Revenue Code of 1954.

However, with respect to dues, assessments, or other payments to an organization of the nature described in the second paragraph of this ruling, it should be noted that section 1.162-15(c) of the Income Tax Regulations provides that dues and other payments to an organization, such as a labor union or a trade association, which otherwise meet the requirements of the regulations under section 162, are deductible in full unless a substantial part of the organization's activities consists of making expenditures for lobbying purposes, for the promotion or defeat of legislation, for political campaign purposes (including the support of or opposition to any candidate for public office), or for carrying on propaganda (including advertising) related to any of the foregoing purposes. If a substantial part of the activities of the organization consists of one or more of those so specified, deduction will be allowed only for such portion of such dues and other payments as the taxpayer can clearly establish is attributable to activities other than those so specified. The determination as to whether such specified activities constitute a substantial part of an organization's activities shall be based on all the facts and circumstances. In no event shall special assessments or similar payments (including an increase in dues) made to any organization for any of such specified purposes be deductible.

An organization which considers itself within the scope of this Revenue Ruling should, in order to establish exemption under section 501(c)(6) of the Code, file an application on Form 1024, Exemption Application, with the District Director of Internal Revenue for the Internal Revenue District in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the Income Tax Regulations.