

Internal Revenue Service
 Director, Exempt Organizations
 Rulings and Agreements

Department of the Treasury
 P.O. Box 2508, EOOQA Rm. 7008
 Cincinnati, OH 45201

Date: DEC 05 2003

VIL 501.00-00

Employer Identification Number:

Person to Contact - I.D. Number:

Contact Telephone Numbers:

Phone

FAX

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(6) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code. However, we have concluded that you do not qualify under another subsection.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1041 if you are a Trust, or Form 1120 if you are a corporation or an unincorporated association.

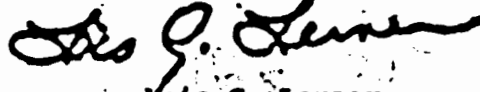
If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues." The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

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If we do not hear from you within the time specified, this will become our final determination.

Sincerely,



Lois G. Lerner
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Enclosure I
Form 6018
Publication 892

Enclosure I

You were incorporated on _____ in the
Your Articles of Incorporation state that the specific purposes for
which you were formed is to engage in non profitable activities in
support of an association of business people who exchange business
referrals, to encourage professional and ethical business practices,
and to periodically make cash gifts to charitable community
organizations.

Article II, Section 1 of the Bylaws states that you are

Article III, Section 1 of the Bylaws indicates

Article II, Section 2 of the Bylaws indicates that a

Article III, Section 4 of the Bylaws indicates that members are

According to your response to our letter dated March 6, 2003, the
activities of your organization include the following:

1. Conducting weekly breakfast meetings to discuss updates in various
fields of business, evaluate how the members are performing in these
fields, become acquainted with new and potential members, and discuss
business community events such as Chamber of Commerce activities.
2. Conducting quarterly social events at a local business where
potential members are invited and recruited.
3. Supporting the local Chamber of Commerce and encourage members'
attendance at all Chamber functions.
4. Making contributions to charitable organizations.

Income is generated exclusively from membership dues and assessments.
Expenses are for the weekly breakfasts, advertising, quarterly

social events, and other miscellaneous expenses.

You stated in your response to our letter dated January 22, 2003, that the goal of the organization is to promote a better business atmosphere in the . This will be done through the improvement of individual members' business skills and availing the business community of trusted businesses to satisfy community needs. You stated in this and several other letters that you feel that your activities are similar in nature to a chamber of commerce.

Section 501(c)(6) of the Code provides exemption from Federal income tax for business leagues 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 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. The Regulations further state that the activities of a business league should be directed to the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual members. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

In Revenue Ruling 59-391, 1959-2 C.B. 151, exemption under section 501(c)(6) of the Code was denied to an organization that restricts its membership to individuals, firms, associations, and corporations, each representing a different trade, business, occupation, or profession, and which is organized for the purpose of exchanging information on business prospects. It concluded that the activities of the organization are not directed to the improvement of business conditions of one or more lines of business, but rather to the promotion of the private interests of its members. In addition, the organization cannot be compared to a chamber of commerce. Such organizations do not limit their membership to include only one representative from a different trade, business, occupation, or profession.

Revenue Ruling 70-461, 1970-1 C.B. 119, discusses an organization composed of individuals from various professions in the field of public health and welfare, formed to develop greater efficiency and solve common problems through seminars, lectures, symposia, and discussions. Although the members were from a variety of different professions, it was held that they had a common business interest since their professions were all related to the field of public health and welfare, and the activities served to aid in resolving common concerns. This ruling also contrasted RR 59-391, on the basis that the members of the organization discussed in that ruling had no common

business interest other than a desire to increase their individual sales.

Revenue Ruling 73-411, 1973-2 C.B. 180 held that a shopping center merchants' association did not qualify for exemption. This ruling contains a discussion of the type of typical, traditional "chamber of commerce" that qualifies for exemption under Code section 501(c)(6), and discusses the legislative history and Congressional intent in including such organizations under Code section 501(c)(6). The ruling states, "In the case of a chamber of commerce or similar organization, the common business interest is usually the general economic welfare of a community." In a typical chamber of commerce, "Membership is voluntary and open generally to all business and professional men in the community. It has been accepted that an organization seeking exemption — as a chamber of commerce or board of trade must be one whose efforts are directed toward promoting the common economic interests of all the commercial enterprises in a given trade community." This ruling cited R.R. 59-391 as an example of an organization that was not similar to a chamber of commerce due to its restricted membership, as well as the nature of its operations.

By restricting membership to include only one representative from a different trade, business, occupation, or profession, and by requiring members to provide business referrals to other members, you are providing private benefit to the individual members. You are not comparable to a chamber of commerce because chambers of commerce do not limit their membership to include only one representative from a different trade, business, occupation, or profession. You are similar to the organization denied exemption in Rev. Rul. 59-391, above. As further confirmed by the rationale discussed in Rev. Rul. 70-461 and Rev. Rul. 73-411, your restricted membership, combined with the fact that your activities serve primarily to increase individual members' business volume and profits, preclude exemption under Code section 501(c)(6).

Based on the above facts and upon the applicable law and precedent, you fail to qualify for exemption under section 501(c)(6) of the Code because you are promoting the private interests of your members as distinguished from the improvement of business conditions for the entire local business community. You are neither organized nor operated for exempt purposes within the meaning of the Code and Regulations.