

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 1580, GPO Brooklyn, N.Y. 11202

Date: SEP 24 1986

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CE IFIED MAIL

Re Applicant:

We have considered your application for recognition of exemption under section 501(c)(5) of the Internal Revenue Code.

The applicant presented disclosed that you were incorporated under the not-for-profit corporation law in the state of [REDACTED].

The purposes for which the corporation was formed, per your Certificate of Incorporation, are "the solicitation of political contribution to the [REDACTED] from [REDACTED] County and municipal employees and the disbursement of the monies so contributed to individuals who are candidates for State and local elective offices in the State of [REDACTED] and for Federal elective offices in support of the nomination or election (including reelection) of those candidates."

The corporation is not yet operational, but you will be operating for the purpose of informing members on legislative issues of critical importance to them; to interest the members in good government and its relationship to politics, election of candidates, and issues, and to urge them to communicate the [REDACTED] position on public issues to elected representatives, the media, friends and neighborhood.

Section 501(c)(5) of the Internal Revenue Code provides for the exemption from Federal income tax of labor, agricultural, or horticultural organizations.

Section 1.501(c)(5)-1 of the Income Tax Regulations states in part that the organizations contemplated by Section 501(c)(5) as entitled to exemption from income taxation are those which have no net earnings inuring to the benefit of any member, and have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

Revenue Ruling 77-46, 1977-1C.B. 147 held that a nonprofit organization established under a collective bargaining agreement between a union and an employers' association to enable members of the union to save money by having a set amount withheld from their pay and deposited in a bank account, the funds to be paid to them annually with any interest remaining after payment of administration expenses, failed to qualify for exemption under IRC 501(c)(5). In order for an organization to qualify as an exempt labor organization, it is necessary that its activities be those commonly or historically recognized as characteristic of labor organizations, or be closely related and necessary to accomplishing the principal purposes of exempt labor organizations. Historically, labor organizations were primarily organized to negotiate wages, hours, and working conditions. Labor organizations were also organized as mutual benefit organizations that provided death, sickness, and accident benefits to members. The organization described in this Revenue Ruling was denied exemption under IRC 501(c)(5) because it failed to provide a benefit for which labor organizations have traditionally been exempted and because its activities were not closely related and necessary to accomplish the principal activities of labor organizations.

You are not formed within the purview of Section 1.501(c)(5)-1 of the Income Tax Regulations since you do not have as your objects the betterment of the conditions of those engaged in IRC 501(c)(5) pursuits, the improvement of the grade of their products, or the development of a higher degree of efficiency in their occupations.

Like the organization described in Revenue Ruling 77-46, your corporation, by soliciting and disbursing contributions for candidates for elective office, is formed for the conduct of activities beyond the scope of IRC 501(c)(5). You are not formed to negotiate wages, hours, and working conditions, nor are you organized as a mutual benefit organization that provides death, sickness, or accident benefits to members.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(5) of the code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may protest in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

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

Sincerely yours,

District Director

Enclosure: Publication 892