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MAY 16 1986

Gentlemen:

We have considered your application for exemption from Federal Income Tax under the provisions of section 501(a) and as an organization described in section 501(c)(3) of the Internal Revenue Code.

Section 501(c)(3) of the Code provides, in part, for the exemption from Federal income tax of organizations organized and operated exclusively for charitable or educational purposes.

Rev. Ruls. 71-504, 1971-2 C.B. 234, and 71-505, 1971-2 C.B. 232, hold that professional organizations that have some charitable or educational activities but also have substantial noncharitable and noneducational purposes and activities are not charitable or educational organizations within the meaning of section 501(c)(3).

In *Better Business Bureau vs U.S.*, 326 U.S. 279 (1945), the Supreme Court held that the presence of a single noncharitable or noneducational purpose, if substantial in nature, will preclude exemption under section 501(c)(3) of the Code regardless of the number or importance of truly charitable or educational purposes.

In your case, you are providing information to the public about the field of psychology but you are also providing a referral service, publishing a directory, meeting to exchange information among members, and setting standards of practice. Clearly, a substantial purpose of the organization is to promote the common business interests of its members. Accordingly, it is held that you are not exempt from Federal income tax under section 501(c)(3) of the Code.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[Redacted]	[Redacted]					
Surname	[Redacted]	[Redacted]					
Date	4/24/86	5/16/86					


In addition, you would not qualify under section 501(c)(6) as a business league because operating a referral service and publishing a directory of members' names and addresses for distribution to the general public is performance of particular services for individual *PERSONS*. To be exempt under section 501(c)(6) of the Code, an organization's 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.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part, that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service. In that event we will notify the appropriate State officials, as required by section 6104(c) of the Code, that based on the information we have available, we are unable to recognize you as an organization described in Code section 501(c)(3).

Publication 892 accompanies this letter and describes your appeal rights fully. Should you decide to appeal this ruling. If we do not hear from you within thirty days this will become our final determination on the matter.

You are required to file Federal income tax returns on Form 1120 (or other appropriate form) within two and one-half months following the end of your annual accounting period.

Sincerely yours,


District Director

Enclosure:
Publication 892