

Rev. Proc. 95-21, 1995-1 C.B. 686, 1995-15 I.R.B. 22, modified by Rev. Proc. 97-12, 1997-1 C.B. 631.

INTERNAL REVENUE SERVICE
Revenue Procedure

Published: March 23, 1995

SECTION 1. PURPOSE

The purpose of this revenue procedure is to establish when associate member dues payments received by an organization described in section 501(c)(5) will be treated by the Service as gross income from the conduct of an unrelated trade or business under section 512.

SECTION 2. BACKGROUND

An organization exempt from tax under section 501(a) as an organization described in section 501(c)(5) is subject to the unrelated business income tax imposed by section 511(a). Section 501(c)(5) organizations often receive dues payments not only from members that are accorded full privileges in voting for the directors of the organization but also from associate members that are accorded less than full or no voting privileges. Whether associate member dues payments are treated as gross income from the conduct of an unrelated trade or business under section 512 is determined in accordance with the following section.

SECTION 3. TREATMENT OF ASSOCIATE MEMBER DUES PAYMENTS

The Service will not treat dues payments from associate members as gross income from the conduct of an unrelated trade or business unless, for the relevant period, the associate member category has been formed or availed of for the principal purpose of producing unrelated business income. For purposes of this revenue procedure, unrelated business income is income from the sale of, or the provision of access to, goods or services produced by an activity which constitutes a trade or business, regularly carried on, and not substantially related to the organization's exempt purposes other than through the production of income. Consequently, other than where the statute or regulations specifically provide a method of allocating a portion of dues payments to unrelated business taxable income, the Service will treat dues payments from associate members as not including gross income from an unrelated trade or business if the associate member category has been formed or availed of for the principal purpose of furthering the organization's exempt purposes.

In applying this revenue procedure, the Service will look to the purposes and activities of the organization rather than of its members.

EFFECTIVE DATE

This revenue procedure is effective for all open years.

DRAFTING INFORMATION

The principal author of this revenue procedure is Charles Barrett of the Exempt Organizations Division of the Office of the Assistant Commissioner (Employee Plans and Exempt Organizations). For further information regarding this revenue procedure contact Mr. Barrett at (202) 622-8152 (not a toll-free number).
