

The operation of a bid registry which is open to all individuals or firms in a particular trade or industry and which has been established and operated as a means of encouraging fair bidding practices within the industry is an appropriate activity for an association which otherwise meets the requirements for exemption under section 501(c)(6) of the Internal Revenue Code of 1954.

Advice has been requested whether the operation of a bid registry under the circumstances set forth below is an appropriate activity for an association which otherwise meets the requirements for exemption under section 501(c)(6) of the Internal Revenue Code of 1954.

The organization is a nonprofit corporation made up of individuals, firms, and corporations in a particular industry. Its primary activity is the operation of a bid registry, established to encourage fair bidding practices in the industry.

The activity consists of receiving contract bids in sealed envelopes from subcontractors. No one may examine bids placed with the registry until the bids are publicly opened. The subcontract is then awarded to the lowest qualified bidder. All members of the industry, whether or not they are members of the association, may participate in this activity.

Membership dues and receipts from the sale of bid envelopes to any contractors who may wish to submit bids constitute the organization's only sources of income. Expenses consist of salaries, supplies, and other administrative costs.

Section 501(c)(6) of the Code exempts from Federal income tax 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 that a business league is an association of persons having some common business interest, the purpose of which is to promote such common business 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.

In conducting the bid registry the organization is engaged in an activity directed to the improvement of business conditions in a particular industry as a whole as distinguished from the performance of particular services for individual persons.

Therefore, such activity is appropriate for an organization which is otherwise exempt under section 501(c)(6) of the Code.