

A business league which extends financial aid and welfare services to its members does not qualify for exemption under section 501(c)(6) of the Internal Revenue Code of 1954 since part of its net earnings is inuring to the benefit of private individuals.

Advice has been requested whether a business league which extends financial aid and welfare services to its members qualifies for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

The league is an association of persons employed in a particular industry. Its activities are directed to the improvement of business conditions in the line of business represented by its members. In addition, the league provides financial aid and welfare services to any member whose employment is involuntarily terminated.

Income is derived from dues and assessments, interest on investments, and the sale of a trade publication. Funds are expended for operating expenses, member benefits, and charitable contributions. Amounts expended for members' benefits amounted to a small percentage of total expenditures.

Section 501(c)(6) of the Code provides exemption from Federal income tax for business leagues, chambers of commerce, real estate boards, and 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. Thus, in order for an organization to be exempt under the provisions of the statute, no financial benefit can inure to a shareholder or private individual.

The net earnings of the league are inuring to the benefit of private individuals through furnishing financial aid and welfare services to its members. Therefore, the league is not exempt from Federal income tax under section 501(c)(6) of the Code, even though its financial aid to members is minor in relation to its other activities which are directed to improvement of business conditions in a line of business.