

Labor; payment for members' legal defense. The payment by an organization of law enforcement officers for its members' legal defense in actions brought against them in connection with the performance of their official duties does not adversely affect the exempt status of the organization under section 501(c)(5) of the Code.

Advice has been requested whether the status of a labor organization exempt from Federal income tax under section 501(c)(5) of the Internal Revenue Code of 1954 is adversely affected where it provides legal assistance to members in the manner described below.

The organization was formed to promote the welfare of law enforcement officers by advancing programs for improved working conditions and mitigating the hazards inherent in law enforcement. It represents its members in matters of wages, hours of labor, and economic benefits. In addition, as a minor activity, it provides funds for counsel in cases where legal action is brought against members in connection with the performance of their official duties. Before any funds are distributed, a special committee evaluates the case to determine whether it involves the performance of official duties within the accepted standards of the profession.

Income is derived from membership dues, and disbursements are made for office costs, employees' salaries, and legal fees.

Section 501(c)(5) of the 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 provides that the organizations contemplated by section 501(c)(5) of the Code as entitled to exemption from Federal income tax are those which (1) have no net earnings insuring to the benefit of any members, and (2) 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.

Legal action brought against a law enforcement officer in connection with the performance of his official duties tends to disrupt the working conditions of the officer and his coworkers and to discourage them from fulfilling their job responsibilities. By providing legal assistance in such cases, the organization is attempting to improve the conditions of employment and encourage the development of a higher degree of efficiency among law enforcement officers.

Thus, the payment of legal defense costs under the conditions described above is a proper activity of a labor

organization. Accordingly, the status of the labor organization under section 501(c)(5) of the Code in the instant case is not adversely affected.