

Labor organization; union and employer operated dispatch hall. A nonprofit organization, controlled and funded jointly by a labor union and an employer association, that operates a dispatch hall to allocate work assignments among union members and engages in other activities appropriate to a labor union qualifies for exemption as a labor organization under section 501(c)(5) of the Code.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(5) of the Internal Revenue Code of 1954.

The organization was established pursuant to a collective bargaining agreement between a labor union and an association of employers. Its primary purpose is to allocate work assignments among eligible union members on an equitable and efficient basis by maintaining and operating a dispatch hall. The dispatch hall is operated by union members, but is under the supervision of a joint committee composed of an equal number of employer and union representatives. Its funding is likewise supplied on an equal basis by the parent labor union and the parent employer association. In addition to maintaining and operating the dispatch hall, the organization decides questions regarding rotation of work crews and extra men, and investigates and adjudicates grievances and disputes that arise in connection with the working conditions, the job performance of union members, and the operations of the dispatch hall.

Section 501(c)(5) of the Code provides for the exemption from Federal income tax of labor organizations.

Section 1.501(c)(5)-1 of the Income Tax Regulations provides that labor organizations contemplated by section 501(c)(5) of the Code are those which have no net earnings inuring to the benefit of any member, and have as their objectives the betterment of the conditions of those engaged in such pursuits, improvements of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

An organization that is engaged in activities appropriate to a labor union, even though technically not a labor union itself, may qualify for exemption under section 501(c)(5) of the Code as an exempt labor organization if its activities are appropriate union activities and are conducted as a part of the proper activities of the parent labor organization, so that it is not merely an independent undertaking. See *Portland Cooperative Labor Temple Association v. Commissioner*, 39 B.T.A. 450 (1939), acq., 1939-1 C.B. 28. Moreover, such an organization's exemption as a labor organization is not precluded by the fact that its membership and funding is drawn from both employer and union organizations. See Rev. Rul. 59-6, 1959-1 C.B. 121.

The operation of a dispatch hall betters the conditions of those engaged in labor pursuits by providing them with a continuity of work assignments and orderly transfers from one work assignment to the next. Providing facilities to investigate and adjudicate grievances also helps promote improved working conditions and more harmonious union and employer relations. All such activities are appropriate and traditional union functions.

The organization carries them on in direct conjunction with an in furtherance of the objectives and activities of the parent labor organization under the terms of the labor contract, as distinguished from doing so as an essentially independent undertaking.

Accordingly, the organization qualifies for exemption from Federal income tax under section 501(c)(5) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(5) of the Code. This application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the Regulations.