

Chamber of commerce; certification of export documents. The certification of export documents by an exempt chamber of commerce is not an unrelated trade or business.

ISSUE

Is the certification of export documents by a chamber of commerce exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code, under the circumstances described below, unrelated trade or business within the meaning of section 513?

FACTS

The chamber of commerce's primary purpose is to promote the commercial, financial, industrial, and civic interests of a particular community. Its activities include the certification of the accuracy and authenticity of export documents. This service is available to members of the organization as well as to nonmembers for the same charge. The service is rendered primarily to freight forwarding companies with offices in the community served by the organization.

The main purpose of the certification of export documents is to provide an independent verification of the origin of exported goods. Generally, certificates of origin are required before imports will be accepted in most foreign countries.

The organization only certifies documents representing goods of United States origin. Also, documents are certified only if they conform to the regulations of the United States Department of Commerce and other federal agencies.

LAW AND ANALYSIS

Section 501(c)(6) of the Code provides for the exemption from federal income tax of business leagues and chambers of commerce 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 the activities of an exempt business league or chamber of commerce 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.

Section 513 of the Code defines the term "unrelated trade or business" as any trade or business the conduct of which is not substantially related (aside from the need of an organization for income or funds or the use it makes of the profits derived) to the exercise or performance by an organization of its exempt functions.

Section 1.513-1(d)(2) of the regulations provides that a trade or business is "substantially related" only if the production or distribution of the goods or the performance of the services from which the gross income is derived contributes importantly to the accomplishment of the purposes for which exemption was granted.

The certification of products to establish acceptable standards within an industry as a whole has been considered to be an appropriate activity within the meaning of section 501(c)(6) of the Code. See Rev.Rul. 70-187, 1970-1 C.B. 131.

The certification of export documents in the manner described above stimulates international commerce by facilitating the export of goods and, thus, promotes and stimulates business conditions in the community generally, thereby contributing importantly to the accomplishment of the organization's exempt functions. Therefore, the activity is substantially related to the purpose constituting the basis for the organization's exemption.

HOLDING

The certification of export documents by a chamber of commerce exempt from federal income tax under section 501(c)(6) of the Code, under the circumstances described above, is not unrelated trade or business within the meaning of section 513.