

Rev. Rul. 82-138, 1982-2 C.B. 106

Business leagues; trust created by several business leagues. A trust, which was created pursuant to collective bargaining agreements between a labor union and several business leagues for the purposes of monitoring and coordinating business league activities of its member business leagues and collecting, administering, and disbursing funds to the member business leagues for business league purposes, is exempt as a business league under section 501(c)(6) of the Code.

ISSUE

Does the trust described below, which was created pursuant to collective bargaining agreements by a labor union and several business leagues, qualify for exemption from federal income tax under section 501(c)(6) of the Internal Revenue Code?

FACTS

The nonprofit trust was created as a result of collective bargaining agreements between individual business leagues, which are exempt from federal income tax under section 501(c)(6) of the Code, and a labor union. Each business league promotes the home building industry in a particular geographic area and has a membership consisting of employers. The business leagues appoint the trustees of the trust.

The trust's purposes include monitoring and coordinating business league activities of its member business leagues, and collecting, administering, and disbursing funds to the member business leagues for business league purposes.

Each collective bargaining agreement provides that members of the business league must contribute to the trust contributions based on the number of hours worked by employees of each of the members.

The trust regularly disburses contributions, less ordinary and necessary expenses of collection, administration, and disbursement, to the 'industry fund' of each participating business league. The disbursements are allocated in proportion to the amount of contributions received from the employer-members of the participating business leagues.

The amounts in the industry funds may be invested, accumulated, or disbursed only for labor relations functions, public relations and legislative activities, promotion of employment, apprenticeship, vocational or training programs, and other programs to improve business conditions of the home building industry within the meaning of section 1.501(c)(6)-1 of the Income Tax Regulations.

The business leagues regularly inform the trust as to the

programs that are financed by its industry fund. The trust regularly monitors and coordinates the programs conducted by its members in order to eliminate duplication, and it retains a veto power over the expenditures made from the industry funds in order to ensure that they are made for business league purposes.

#### LAW AND ANALYSIS

Section 501(c)(6) of the Code provides for the exemption from federal income tax of business leagues, 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 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 interest and not to engage in a regular business of a kind ordinarily carried on for profit. Thus, its activity 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.

Rev. Rul. 70-31, 1970-1 C.B. 130, holds that a nonprofit trust created pursuant to an agreement between a labor union and a business league, who are its sole creators, qualifies for exemption under section 501(c)(6) of the Code if all of its activities are appropriate to an exempt business league. The revenue ruling holds that the trust is considered 'an association of persons having some common business interest' within the meaning of section 1.501(c)(6)-1 of the regulations.

The trust is promoting the common business interests of the industry by conducting the activities described above. Monitoring and coordinating business league activities of its member leagues and collecting, administering, and disbursing funds to the member business leagues for business league purposes are appropriate for an organization described in section 501(c)(6) of the Code.

#### HOLDING

The trust, which was created pursuant to collective bargaining agreements between business leagues and a labor union for the purposes of monitoring and coordinating business league activities of its member business leagues and collecting, administering, and disbursing funds to the member business leagues for business league purposes, qualifies for exemption from federal income tax under section 501(c)(6) of the Code.

#### APPLICATION INSTRUCTIONS

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)(6) of the

Code. See section 1.501(a)-1 of the regulations. The application should be filed with the District Director of Internal Revenue for the key district indicated in the instructions to Form 1024.