



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **201446026**
Release Date: 11/14/2014

Date: August 20, 2014

Contact Person:

Identification Number:

Telephone Number:

Employer Identification Number:

UIL: 501.06-00

Legend:

Organization =
Year 1 =
Entity 1 =
Entity 2 =
Year 2 =
State =
Year 3 =
Year 4 =
Year 5 =

Dear _____ :

This is in response to your ruling request, dated November 1, 2013, requesting a ruling under I.R.C. § 501(c)(6) regarding a merger transaction between two entities that resulted in your formation.

FACTS

You, Organization, are a nonprofit corporation organized under state law. You were formed in Year 1 as a result of a merger of two organizations, Entity 1 and Entity 2. Entity 1 was founded in Year 2 by member agencies and facilities providing rehabilitation programs and services for persons with disabilities in State. You state that Entity 1's activities on behalf of its membership included holding meetings and educational conferences, providing information on policy developments in the area of rehabilitation practice, providing comment and advice to governments and public officials, participation in public meetings, and maintaining a liaison with other agencies and providers providing other types of health services to persons with disabilities. Entity 1 was recognized as exempt under § 501(c)(6) in Year 3.

Entity 2 was founded in Year 4 by community mental and intellectual disability member agencies and facilities in order to coordinate and cooperate in a common association that promoted their common interests and sought to serve as a source of advocacy, education, news, and networking in State. You state that Entity 2's activities on behalf of its membership included promoting state and local meetings of key personnel for the exchange of ideas concerning matters of mutual interest, creating a mechanism for collecting and distributing

statistical and other information useful to members, sending representatives to testify before state and federal legislative bodies, conferring with officials from various levels of government on relevant issues, and advocacy and advancement of member issues regarding regulatory decision-making at various levels of government. Entity 2 was recognized as exempt under § 501(c)(4) in Year 5.

You have provided several reasons for the merger between Entity 1 and Entity 2. First, you state that the entities have a long history of cooperation and assistance based upon each organization's distinct, yet overlapping membership and common purposes. Second, you state that fundamental changes to the health care environment will impact the delivery of services by members of both entities and have brought together their common interests. Third, you represent that the merger of the entities creates a unified association with combined membership and resources that serve the common mission and interests of member agencies and facilities. This combines the strengths of the entities while reducing duplicative expenses.

You state that, with regard to the mechanics of the merger, Entity 2 was merged into Entity 1, the surviving corporation. Entity 1 was then renamed Organization. To effectuate the merger, you filed articles of merger and amended and restated articles of incorporation with State and amended and restated your bylaws. Your amended and restated articles of incorporation and bylaws provide that you will operate for the purpose of uniting in a common association of agencies, entities, and facilities that provide health, human, and rehabilitative services in State. The articles and bylaws also list other operational purposes, which include promoting the common interests of your members, improving their conditions to deliver cost effective services, to advocate on behalf of members, and to provide guidance and input to governments and public officials regarding legislation, rules, regulations, and administrative policies. You represent that you do not provide particular services to your individual members and that no part of your net earnings inure to the benefit of any private shareholder or individual.

RULING REQUESTED

You have requested that we confirm your exempt status as an organization exempt under § 501(c)(6) following the merger of Entity 1 and Entity 2, where Entity 1 is the surviving corporation and renamed Organization.

LAW

I.R.C. § 501(c)(6) provides for the exemption from taxation of business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treas. Reg. § 1.501(c)(6)-1 provides that a business league is an association of persons having some common business interest, the purpose of which is to promote some common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities 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. 70-641, 1970-2 C.B. 119, holds that a nonprofit organization of individuals from various professions in the field of public health and welfare organized to develop greater

efficiency in the professions and solve common problems qualifies under § 501(c)(6). The organization's membership is open to persons engaged in various professions concerned with public health and welfare. These persons are united for the purpose of promoting a common business interest and improving their business conditions by exchanging knowledge and information in the field of public health and welfare and the improvement of professional services and techniques. The organization's activities consist of holding seminars, lectures, symposia, and discussions to provide and interdisciplinary forum for the exchange of ideas. It also disseminates information about legislative developments affecting the general areas of common concerns.

ANALYSIS

In order to qualify for exemption as a business league under § 501(c)(6), an organization must be comprised of persons having some common business interest, the purpose of which is to promote this common business interest and not engage in a regular business of a kind ordinarily carried on for profit. The § 501(c)(6) organization's activities 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. See Treas. Reg. § 1.501(c)(6)-1.

You state that the merger of Entity 2, a recognized § 501(c)(4) organization, into Entity 1, a recognized § 501(c)(6) organization, was due to overlapping membership, common purposes and interests, and to combine the strengths of the entities while reducing duplicative expenses. Although Entity 2 was previously recognized as exempt under § 501(c)(4), based on your representations, it worked collaboratively with Entity 1 on issues of common concern and therefore was in many ways operating in a manner similar to an organization exempt under § 501(c)(6).

In conjunction with the merger, you amended and restated your articles of incorporation and bylaws to reflect that you will operate for the purpose of promoting the common business interest of agencies, entities, and facilities that provide health, human, and rehabilitative services in State. In this regard, you are similar to the organization in Rev. Rul. 70-641, which held that a nonprofit organization of individuals from various professions in the field of public health and welfare organized to develop greater efficiency in the professions and solve common problems qualifies under § 501(c)(6). You have also represented that, going forward from the date of the merger, you will operate in a manner consistent with § 501(c)(6) status.

In addition, you represent that you do not provide particular services to your individual members and do not engage in a regular business of a kind ordinarily carried on for profit. You also represent that no part of your net earnings inure to the benefit of any private shareholder or individual. Thus, you do not engage in activities prohibited by § 501(c)(6) or the accompanying regulations.

Based on the information and representations you have provided, Organization will continue to operate in a manner consistent with § 501(c)(6) and therefore its exemption will not be jeopardized by the merger.

RULING

The merger of Entity 2 and Entity 1, where Entity 1 is the surviving corporation and renamed Organization, will not adversely impact your exempt status under § 501(c)(6).

This ruling will be made available for public inspection under § 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose*. A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

This ruling is directed only to the organization that requested it. § 6110(k)(3) provides that it may not be used or cited by others as precedent.

This ruling is based on the facts as they were presented and on the understanding that there will be no material changes in these facts. This ruling does not address the applicability of any section of the Code or regulations to the facts submitted other than with respect to the sections described. Because it could help resolve questions concerning your federal income tax status, this ruling should be kept in your permanent records.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

In accordance with the Power of Attorney currently on file with the Internal Revenue Service, we are sending a copy of this letter to your authorized representative.

Sincerely,

Michael Seto
Manager, EO Technical

Enclosure
Notice 437