

Internal Revenue Service
Appeals Office
100 First Street Suite 2000
San Francisco, CA 94105

Department of the Treasury

**Employer Identification
Number:**

Date: JAN 09 2015

Person to Contact:

Number: **201514019**
Release Date: 4/3/2015

Employee ID Number:
Tel:
Fax:

Tax Period Ended:

Certified Mail

UIL: 0501 .06-00

Dear :

We considered your appeal of the adverse action proposed by the Director, Exempt Organizations. This is our final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code (the "Code") section 501(a) as an organization described in section 501(c)(6) of the Code.

Our adverse determination was made for the following reason(s):

You do not promote the advancement of any particular line of business or the improvement of business conditions; rather you promote the individual businesses of your members. Therefore, you do not qualify for exemption as an organization described in section 501(c)(6) of the Code.

You are required to file Federal income tax returns on Forms 1120 for the tax periods stated in the heading of this letter and for all tax years thereafter. File your return with the appropriate Internal Revenue Service Center per the instructions of the return. For further instructions, forms, and information please visit www.irs.gov.

Please show your employer identification number on all returns you file and in all correspondence with Internal Revenue Service.

We will make this letter and the proposed adverse determination letter available for public inspection under Code section 6110 after deleting certain identifying information. We have provided to you, in a separate mailing, Notice 437, *Notice of Intention to Disclose*. Please review the Notice 437 and the documents attached that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437.

You also have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States Court. The Taxpayer Advocate can however, see that a tax matters that may not have been resolved through normal channels get prompt and proper handling. If you want Taxpayer Advocate assistance, please contact the Taxpayer Advocate for the IRS office that issued this letter. You may call toll-free, 1-877-777-4778, for the Taxpayer Advocate or visit www.irs.gov/advocate for more information.

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

Sincerely Yours,

Appeals Team Manager

Enclosure: Publication 892



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: JUL 29 2014

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

LEGEND:

P =
R =
x =

UIL:

501.06-00
501-06-01

Dear :

We have considered your application for recognition of exemption from federal income tax under Internal Revenue Code section 501(a). Based on the information provided, we have concluded that you do not qualify for exemption under Code section 501(c)(6). The basis for our conclusion is set forth below.

Issues

Do you qualify for exemption under Section 501(c)(6) of the Code? No, for the reasons described below.

Facts

You incorporated on date x in the State of P. Your purpose is to foster the interests of your members. To promote and protect the interests of your members, you will exercise powers permitted under state law.

Your mission is to bring a higher degree of professionalism to the wedding industry in your city and the surrounding areas. Your members are an elite group of fully vetted

Letter 4034 (CG) (11-2011)
Catalog Number 47628K

professionals who must meet certain criteria to attain membership. This assures the public that members are fully licensed, insured and have been in business in the wedding industry for at least a year.

Your goals are:

- 1) To provide the wedding-service industry with a standard of professionalism and quality,
- 2) To identify, promote and publicize businesses that newly engaged couples can count on,
- 3) To provide a competitive advantage to your members, and
- 4) To help educate newly-engaged couples on why choosing your vendors is the key to their perfect day.

Your duties are to:

- 1) Develop and adhere to the Code of Ethics to which your members must adhere,
- 2) Actively and continually promote the association and its role in assisting brides,
- 3) Organize and provide meetings, seminars and speakers to keep your members at the forefront of their professions,
- 4) Diligently and responsibly control and evaluate membership for the benefit of customers and fellow members,
- 5) Develop and provide networking opportunities for the benefit of your members,
- 6) Maintain and distribute your membership directory via bridal shows, wedding workshops, website and member locations,
- 7) Serve as an ongoing "Communications Central" for ideas, programs and issues to better the local wedding industry, and
- 8) Provide newly engaged couples with a diverse group of quality businesses which can make their weddings and honeymoons great.

Membership is limited but open to those who specialize in the provision of wedding services to the highest of standards within the geographical area of R. To become a member, a business or individual must:

- Pledge to do business by the highest ethical and professional services to each other and especially to the couple getting married,
- Be committed to professionalism and outstanding customer service,
- Conduct business in a transparent manner, using contracts,
- Engage in honest, legal business practices,
- Demonstrate experience and competence in their field,
- Be fully licensed and insured,
- Carry any and all permits that pertain to their business, such as health and trade permits, and
- Keep up to date with new trends, styles and techniques.

Each category of membership (e.g., caterer, photographer, etc.) is capped at 15% of overall members. When an applicant's membership has been approved by the Board, the individuals in charge of the website and advertising are notified to make marketing opportunities available to the new member.

Your website states that you are “

.” Your members and their contact information are listed on the site. Weddings featured on the website must have at least four of your members involved. Non-member cannot be mentioned in a featured wedding.

Your activities include monthly member meetings, two member social events, and an annual bridal expo which showcases member products and services.

Approximately half of your revenue comes from the bridal expo. The other half of your revenue comes from membership dues. Approximately 60% of your expenses are for the bridal expo. The rest of the expenses are for other miscellaneous operating costs, such as meeting meals and office supplies.

Law

Section 501(c)(6) of the Code provides for the exemption from federal income tax 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.

Section 1.501(c)(6)-1 of the Income Tax Regulations (“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. 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. An organization, whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

Rev. Rul. 56-65, 1956-1 C.B. 199 holds that a local organization whose principal activity consists of furnishing particular information and specialized individual services to its individual members engaged in a particular industry, through publications and other means to effect economies in the operation of their individual businesses, is performing particular services for individual persons. Such organization is not entitled to exemption

under section 501(c)(6) of the Code as a business league, even though it performs functions that are of benefit to the particular industry and the public generally.

Rev. Rul. 59-391, 1959-2 C.B. 151, holds that an organization whose membership consists of individuals, firms, associations, and corporations, each of whom represents a different trade, business occupation, or profession, and created for the purpose of exchanging information on business prospects does not qualify for exemption under section 501(c)(6) of the Code. Part of the rationale for the ruling is that the members have no common business interest other than a mutual desire to increase their individual sales.

Rev. Rul. 64-315, 1964-2 C.B. 147 holds that an organization whose primary activity consists of publishing a newspaper advertising the merchandise and names of its member merchants is not exempt under section 501(c)(6).

Rev. Rul. 65-14, 1965-1 C.B. 236, which holds that an organization whose primary activity consists of publishing a tourist guidebook advertising the products, services, and names of member merchants is not exempt under section 501(c)(6).

Rev. Rul. 68-264, 1968-1 C.B. 264, defines a particular service for the purposes of section 501(c)(6) of the Code as an activity that serves as a convenience or economy to the members of the organization in the operation of their own businesses. The revenue ruling also states that activities that constitute the performance of particular services for individual persons may preclude exemption under section 501(c)(6).

Rev. Rul. 73-411, 1973-2 C.B. 180, in discussing the exempt status of a shopping center merchants' association under section 501(c)(6) of the Code, describes in detail the history of section 501(c)(6) and the types of organizations described therein. In the case of a chamber of commerce or similar organization, the common business interest required under section 1.501(c)(6)-1 of the regulations is usually the general economic welfare of a community. Membership is voluntary and open generally to all business and professional men and women in the community. The revenue ruling states that it has been accepted that an organization seeking exemption from federal income tax under section 501(c)(6) as a chamber of commerce or board of trade must be one whose efforts are directed at promoting the common economic interest of all the commercial enterprises in a given trade community. The revenue ruling also defines trade associations or business leagues as similar to chambers of commerce or boards of trade, except that they serve only the common business interests of the members of a single line of business or of the members of closely related lines of business within a single industry.

In Glass Container Industry Research Corp. v. United States, 1970 U.S. Dist. LEXIS 13193 (W.D. Pa. 1970) the organization was a membership organization for glass

manufacturers representing approximately thirty percent of glass manufacturers. The organization conducted research and made its research, patents and licenses available exclusively to its members, who were not permitted to share the results of the research with non-members. Since the information was not made available to the general public or an entire industry, the court found that the activities of the organization was performing a particular services for members, which disqualified from being classified as a business league under section 501(c)(6) of the Internal Revenue Code. In addition, the organization failed to qualify as a chamber of commerce or board of trade under section 501(c)(6). The court held that chambers of commerce and board of trade are organizations that engage in many diverse lines of business and promote and publicize the advantages of an area and the advantages of doing business in a particular city. Since the organization did not promote the advantages of doing business in a particular geographic area, it did not qualify as a chamber of commerce or board of trade under section 501(c)(6) of the Code.

In National Muffler Dealers Association v. U.S., 440 U.S. 472 (1979), the Supreme Court held that an organization whose membership consisted of the franchisees of one brand of muffler did not constitute a line of business within the meaning of section 501(c)(6) of the Code because a single brand represented only a segment of an industry. The court concluded that exemption under section 501(c)(6) is not available to aid one group in competition with another within an industry.

In Bluetooth Sig. Inc. v. U.S., 101 A.F.T.R. 2d 2008-748 (W.D. Wash. 2008), aff'd, 611 F.3d 617 (9th Cir. 2010), the Court examined an organization that was formed to advance the common business interests of its members in the development and regulation of technical standards for the compatibility and interoperability of wireless products and devices within a wireless personal area network. The organization develops specifications and use applications and promotes consumer awareness and marketing through its Bluetooth technology and trademark. The Court held that the organization was not a tax-exempt business league under section 501(c)(6) of the Code because the organization's activities exclusively benefit its members, rather than an entire line of business. The Court noted that it "strains credulity" for the organization to argue that its services indirectly benefit the industry as a whole simply by generating consumer awareness of the availability and reliability of its technology.

Application of Law

To be exempt under section 501(c)(6) of the Code, your activities must be directed to the improvement of business conditions of one or more lines of business, and not benefit any private shareholder or individual. As stated in section 1.501(c)(6)-1 of the regulations, the purpose of a business league is to promote a common interest with activities 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.

You cannot be recognized as a business league for the following reasons:

1. Because membership in your organization is not available to all wedding providers, you do not promote the bridal industry in general; rather, you serve the convenience and economy of your members and are not entitled to exemption.¹
2. All of your activities and promotional efforts are restricted to members. You have even gone so far as to require that non-members service providers not be mentioned in weddings featured on your website. Therefore, your activities are 100% dedicated to furnishing particular information and specialized individual services to individual members to affect economies in the operation of their individual businesses.²
3. Monthly meetings among your members are intended to increase their business opportunities rather than a common business interest beyond a mutual desire to increase sales. This is not sufficient to establish a common line of business for the purposes of section 501(c)(6) of the Code.³
4. Your website and bridal expo promote only your member businesses, rather than an entire industry. Because your activities consist of advertising the merchandise and names of your members, you are not exempt under Section 501(c)(6) of the Code.⁴
5. When member businesses are selected through an application process where each category is limited to a small percentage of total members, you are able to control public image to represent only members you select, not a whole industry. Exemption is not available to aid one group in competition with another within an industry.⁵
6. The key consideration for section 501(c)(6) purposes is whether your activities give a competitive edge to your members' products, as opposed to other products. You deliberately restrict activities and advertising to members businesses who are in competition with other businesses in the area. Like Bluetooth Sig Inc., supra, you cannot qualify for recognition as a business league described in IRC 501(c)(6).

¹ Rev. Rul. 68-264

² Rev. Rul. 56-65

³ Rev. Rul. 59-391

⁴ Rev. Rul. 64-315 and 65-14

⁵ Nat'l Muffler Dealers Association, supra.

7. Finally, membership in and enjoyment of privileges in an organization exempt under section 501(c)(6) of the Code are not to be restricted or limited to a select number of entities within the described industry. Membership in a trade association or business league, as differentiated from a chamber of commerce, is both voluntary and open generally to all entities within a particular line of business or closely related lines of business. When you restrict privileges to your members, you are lacking an essential element of public representation and membership support within the intent of section 501(c)(6).⁶

Applicant's Position

You are the resource that brides need when planning their wedding. You are furthering the improvement of business conditions in your industry by educating brides along with member networking. You have speakers at your meetings who speak on everything from contract law to upcoming wedding styles and trends. By being a member, your clients know they are selecting a vendor who is well respected and comes with the area's only seal of approval. Each member is vetted to have the highest standards in their work, their ethics and their commitment to their client. Being a member means that quality, commitment and excellence are your requirements.

You are a cultivated association that supports and fosters professionalism through networking for the welfare and betterment of the wedding and overall event industry. You hold one bridal expo per year. You held one last year which benefited a foundation. Your members are asked to participate. Last year you held three bridal workshops to help educate brides and their families/friends.

The decision was made to cap membership because you were getting applications from a large number of photographers and you didn't want a wedding photographer association, you wanted a variety of quality vendors and categories for your brides to choose from.

Service Response to Applicant's Position

Educating brides is simply a method to draw attention to your member businesses. When you supply networking opportunities that are restricted to capped membership, you are not serving the interests of a line of business. Because you limit your advertising to the products, services, and names of member merchants, your activities can benefit only your members.⁷

⁶ Rev. Rul. 73-411, supra, and Glass Container Industry Research Corp.

⁷ Rev. Rul. 64-315 and 65-14

Conclusion

You do not promote the advancement of any particular line of business or the improvement of business conditions; rather you promote the individual businesses of your members. Therefore, you do not qualify for exemption as an organization described in Section 501(c)(6) of the Code.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of why you disagree. Your protest statement must be filed within 30 days of the date of this letter and should include:

- Your organization's name, address, EIN number and a daytime phone number.
- A statement that the organization wants to protest the proposed determination.
- A copy of this letter showing the findings that you disagree with (or the date and IRS office symbols from the letter.
- An explanation of your reasons for disagreeing including any supporting documents.
- The law or authority if any, on which you are relying.

The protest statement may be signed by one of your officers or your representative. We will consider your statement and decide if the information affects our determination. If your statement does not provide a basis to reconsider our determination, we will forward your case to our Appeals Office. You can find more information about the role of the Appeals Office in Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*.

The protest statement should also include the following declaration.

"Under penalties of perjury, I declare that I have examined this protest including accompanying documents and, to the best of my knowledge and belief, the statement contains all relevant facts, and such facts are true, correct, and complete."

The declaration must be signed by an officer or trustee of the organization who has personal knowledge of the facts.

Your protest will be considered incomplete without this statement.

If an organization's representative signs and submits the protest, a substitute declaration must be included stating that the representative prepared the protest and

any accompanying documents; and whether the representative personally knows (or does not know) that the statement of facts in the protest and any accompanying documents are true, correct.

An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you. In that case you must file a Form 2848, *Power of Attorney and Declaration of Representative*, if you have not already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of Attorney*. All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not file a protest within 30 days, you will not be able to seek a declaratory judgment in court at a later date because the court requires that you first exhaust administrative remedies at the IRS. Code section 7428(b)(2) provides, in part, that a declaratory judgment or decree shall not be issued in any proceeding unless the Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted all of the administrative remedies available to it within the IRS.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848, and any supporting documents to the applicable address:

Mail to:

Internal Revenue Service
EO Determinations Quality Assurance
Room 7-008
P.O. Box 2508
Cincinnati, OH 45201

Deliver to:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You may fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

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

Sincerely,

Tamera Ripperda
Director, Exempt Organizations

Enclosure: Publication 892