

Internal Revenue Service  
Appeals Office  
San Jose Appeals, MS-7100  
55 S. Market St., Suite 440  
San Jose, CA 95113

Release Number: **201924019**  
Release Date: 6/14/2019  
Date: March 21, 2019

Department of the Treasury

Person to Contact:

Employee ID Number:  
Tel:  
Fax:  
Contact Hours:

Refer Reply to:

In Re:  
EO Determination  
Tax Period(s) Ended:  
All Years

UIL:  
501.06-01

Dear

This is a final adverse 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).

We made the adverse determination for the following reason(s):

You are not operated for exempt purposes within the meaning of Internal Revenue Code § 501(c)(6) and Treasury Regulation § 1.501(c)(6)-1. You schedule and send member officials to the games, collect fees and redistribute the collected revenues to the officiated members, as your primary activities; thus, your activities are not 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're required to file Federal income tax returns on Forms 1120, U.S. Corporation Income Tax Return. Mail your form to the appropriate Internal Revenue Service Center per the form's instructions. You can get forms and instructions by visiting our website at [www.irs.gov/forms-pubs](http://www.irs.gov/forms-pubs) or by calling 800-TAX-FORM (800-829-3676).

We'll 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.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in either:

- United States Tax Court,
- The United States Court of Federal Claims,
- The United States District Court for the District of Columbia.

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. Contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment. You can write to the courts at the following addresses:

United States Tax Court  
400 Second Street, NW  
Washington, DC 20217

US Court of Federal Claims  
717 Madison Place, NW  
Washington, DC 20005

U. S. District Court for the District of Columbia  
333 Constitution Ave., N.W.  
Washington, DC 20001

Note: We will not delay processing income tax returns and assessing any taxes due even if you file petition for declaratory judgment under section 7428 of the Code.

Please refer to the enclosed Publication 892, How to Appeals an IRS Determination on Tax -Exempt Status.

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 matter 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](http://www.irs.gov/advocate) for more information.

If you have any questions, contact the person at the top of this letter.

Sincerely,

Appeals Team Manager

Enclosure: Publication 892



Department of the Treasury  
Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

MAR 21 2019

Date:

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

**Legend:**

X = State

Y = Date

**UIL:**

501.06-01

501.06-02

Dear \_\_\_\_\_

We considered your application for recognition of exemption from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). Based on the information provided, we determined that you don't qualify for exemption under Section 501(c)(6) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

**Issues**

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

**Facts**

You were incorporated in the State of X on Y for the purpose of promoting and providing education, training and refereeing opportunities for soccer referees that serve the state of X's scholastic athletic associations. You will meet this purpose by providing the administrative link between member referees and the scholastic athletic associations.

You will provide annual training meetings to update referees on rule changes, points of emphasis and the general level of professionalism expected while discharging their duties as a referee. Throughout the season, the referees' performance will be assessed by you and coaches, and you will in turn provide this information to the referees for the purpose of professional development.

You will serve as the administrative body to schedule, assign and pay member referees for their officiating services to the scholastic athletic associations. Payment to the referees will be made from the schools and the associations to you and subsequently distributed to the officials.

Your bylaws state that you will contractually provide game assignments to association members and contractually provide soccer official booking services to member schools of the X High School Association and the X Independent School Association.

The primary source of your revenue is from billings to schools and athletic associations for refereeing services provided by your member referees. You coordinate the scheduling and management of the member referees to schools and athletic association, which in turn, pay you for services performed. You then pay the individual referees per completed games.

**Law**

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

Treasury Regulation Section 1.501(c)(6)-1 states 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. 58-224, 1958-1 C.B. 242, held that an organization which operated a trade show as its sole activity, primarily for the purpose of rendering particular services to individual persons was not entitled to exemption as a business league under Section 501(c)(6) of the Code. The organization's sole activity consisted of staging an annual merchandise show (primarily exhibits by manufacturers), under the sponsorship of the chamber of commerce. The ruling concluded that the activities of the organization substantially served the exhibitors and retailers as a convenience and economy in the conduct of their businesses by providing selling opportunities for the distributors, which was found to be considered rendering particular services for individuals as distinguished from the improvement of business conditions generally.

Rev. Rul. 61-170, 1961-2 C.B. 112, describes a nurses' association which maintained an employment registry primarily for the employment of members is not entitled to exemption as a charitable organization or as a business league since its primary purpose was the operation of a regular business of a kind ordinarily carried on for profit and it is engaged in rendering particular services for individual persons rather than promoting the general business conditions of the nursing profession.

Rev. Rul. 68-264, 1968-1 C.B. 264, defined a particular service for the purpose of Section 501(c)(6) of the Code as including an activity that serves as a convenience or economy to members of the organization in the operation of their own businesses.

In Apartment Operations Ass'n v. Commissioner of Internal Revenue, 136 F.2d 435 (9<sup>th</sup> Cir. 1943), the court determined that the organization was not exempt from tax as a business league. The organization was made up of apartment owners. It did not meet the description of a business league because it regularly carried on business of a kind ordinarily conducted for profit. It performed particular services for individual persons such as the furnishing of credit information, the supplying of an apartment shopping service, the making of arrangements for direct purchases by members at discount, and similar activities.

In Indiana Retail Hardware Ass'n., Inc. v. United States, 177 Ct. Cl. 288, 366 F.2d 998 (1966), the Court held that when conducting particular services for members is a substantial activity of an organization, the organization will be precluded from exemption under Section 501(c)(6) of the Code.

### **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 Treas. Reg. Section 1.501(c)(6)-1, 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 operate primarily to provide a service to your members by arranging employment opportunities, which causes impermissible private benefit.

You are similar to the organizations described in Rev. Rul. 56-65 and 58-224 in that you are formed to promote the economic interests of your members by providing them with employment opportunities.

You coordinate, schedule, and assign your member referees to schools and athletic association You are similar to the organization in Rev. Rul. 61-170 because you were formed to provide employment opportunities for your members. By providing these employment services, you are serving the private interests of your members and do not meet the qualifications for exemption under Section 501(c)(6) of the Code.

Providing employment opportunities for your members provides a convenience that they would otherwise not have without your operation. Given that your primary activity is directed at providing a particular service to your members, you are similar to the situation described in Rev. Rul. 68-264 and not exempt under Section 501(c)(6) of the Code.

The organizations in Apartment Operations Ass'n. and Indiana Retail Hardware Ass'n. failed to qualify for exemption under Section 501(c)(6) of the Code because conducting services for their members was a substantial activity. Because your primary activity is arranging referee jobs for your members, you are not exempt under Section 501(c)(6).

### **Conclusion**

Based on the information provided we conclude that you are not operated as a business league described in Section 501(c)(6) of the Code. Your operations provide specific services to members and allow a convenience and private economic benefit. Therefore, you do not qualify for exemption under Section 501(c)(6).

**If you don't agree**

You have a right to file a protest if you don't agree with our proposed adverse determination. To do so, you must send a statement to us within 30 days of the date of this letter. The statement must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with
- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative
- One of the following declarations:

**For an officer, director, trustee, or other official who is authorized to sign for the organization:**

Under penalties of perjury, I declare that I examined this protest statement, 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.

**For authorized representatives:**

Under penalties of perjury, I declare that I prepared this protest statement, 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.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, *Power of Attorney and Declaration of Representative*, with us if he or she hasn't already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of Attorney*.

We'll review your protest statement and decide if you provided a basis for us to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't provided a basis for reconsideration, we'll forward your case to the Office of Appeals and notify you. 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*.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

**Where to send your protest**

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

U.S. mail:

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

Street address for delivery service:

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

You can also fax your statement and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that he or she received it.

**If you agree**

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

You can find all forms and publications mentioned in this letter on our website at [www.irs.gov/formspubs](http://www.irs.gov/formspubs). If you have questions, you can contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosure:  
Publication 892