



**Department of the Treasury
Internal Revenue Service**

P.O. Box 2508
Cincinnati, OH 45201

Number: **201931013**
Release Date: 8/2/2019

Date:
May 9, 2019
Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

UIL: 501.06-00, 501.06-01

Dear :

This letter is our final determination that you don't qualify for tax-exempt status under Section 501(c)(6) of the Internal Revenue Code (the Code). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file federal income tax returns for the tax years listed at the top of this letter using the required form (also listed at the top of this letter) within 30 days of this letter unless you request an extension of time to file.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection (as required under Section 6110 of the Code) after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Notice 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can contact the person listed at the top of this letter. If you have questions about your federal income tax status and responsibilities, call our customer service number at 1-800-829-1040 (TTY 1-800-829-4933 for deaf or hard of hearing) or customer service for businesses at 1-800-829-4933.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4034, *Proposed Adverse Determination under IRC Section 501(a) Other Than 501(c)(3)*

Redacted Letter 4040, *Final Adverse Determination under IRC Section 501(a) Other Than 501(c)(3) - No Protest*



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

Date:
March 20, 2019
Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

U = State

V = Date

W = Type of therapy

UIL:

501.06-00

501.06-01

Dear _____ :

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(6). This letter explains the reasons 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 incorporated in the State of U on V. You were formed to be an organized health care provider network for delivering, providing, or arranging for the delivery or provision of certain health care services relating to the field of W therapy. All such health care services shall be provided by you through individuals who are licensed, registered, or certified to practice a certain health care profession by and in U. Your activities include developing and improving W therapy services and education, coordinating interested parties to meet the W therapy needs of the state, and developing and promoting professional standards of W therapy. The total percentage of time devoted to these activities is _____ percent of your total time.

Your other activities include creating a network of W therapists for one-stop shopping, providing better care coordination and quality improvements for your members, reducing costs for members, creating a network large enough to manage population health, and negotiating rates with a larger market share due to the collaboration of the individual practices. You will also decrease overhead for your members by sharing costs of multiple services. You will establish a collaborative environment to ensure sustainability of independently owned practices which will allow each practice to benefit from an economy of scales in procuring fair, equitable, and value-based reimbursement models, and expand current market presence for the benefit of your members. You will be an organized health care provider network for delivering, providing or arranging for the delivery of certain health care services. You will devote _____ percent of your total time to these activities.

Your revenue comes entirely from gross dues and assessments of your members.

Law

Section 501(c)(6) of the Code exempts from federal income tax 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 activities must 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.

Revenue Ruling 56-65, 156-2 C.B. 185, held that a local organization that principally furnishes particular information and specialized individual service to its individual members engaged in a particular industry is performing particular services for individual persons and therefore is not exempt under Section 501(c)(6) of the Code.

Rev. Rul. 61-170, 1961-2 C.B. 112, describes an association composed of professional private duty nurses and practical nurses which operated a nurses' registry primarily to afford greater employment opportunities for its members. The association was not entitled to exemption as a business league described in Section 501(c)(6) of the Code because its primary purpose was the operation of a regular business of the kind ordinarily carried on for profit and it was 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.

Rev. Rul. 71-175, 1971-1 C.B. 153, ruled on a nonprofit organization whose principal activity was the operation of a telephone-answering service for member doctors. Providing a telephone-answering service the organization relieved the individual members of securing this service commercially, resulting in a convenience or economy in the conduct of the medical practice of its individual members. Therefore, the organization was rendering particular services for individual persons as distinguished from the improvement of business conditions in the medical profession and public health area generally. Thus, the organization was not exempt under Section 501(c)(6) of the Code.

In Indiana Retail Hardware Ass'n., Inc. v. United States, 177 Ct. Cl. 288 (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 inure to the benefit any private shareholder or individual. You operate primarily to provide cooperative services for your members, which is a private benefit to your members and does not improve business conditions as described in Treas. Reg. Section 1.501(c)(6)-1. Therefore, you are not exempt under Section 501(c)(6).

You are not operated as a business league as described in Section 501(c)(6) of the Code because you provide particular services to your members, similar to the organization described in Rev. Rul. 56-65.

You are providing a service that affords your members employment opportunities similar to the organization denied exemption in Rev. Rul. 61-170. By providing these employment services, you are serving the private interests of your members and do not qualify for exemption under Section 501(c)(6) of the Code.

You are providing your members bargaining power and acting as a bargaining agent to negotiate for better terms and conditions of doing business with vendors, suppliers, and service providers, with whom your members do business. 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.

As noted in Rev. Rul. 71-175, rendering particular services for individuals is distinguished from the improvement of business conditions of a particular line of business. By providing employment services, you are providing services for the economy and convenience of your members, and not for the overall improvement of a line of business. Therefore, exemption under Section 501(c)(6) of the Code is precluded.

Like the organization described in Indiana Retail Hardware Ass'n., Inc., your primary activities provide direct economic benefit to your members rather than improve business conditions for the industry. Therefore, you are precluded from exemption under Section 501(c)(6) of the Code.

Your position

You assert that, in order to accomplish your goals such as developing and improving W therapy service and education, improving professional standards, care coordination, quality improvements and cost reductions, it will be necessary for you to provide certain administrative and other services for its members, but such services are the means to achieving the desired ends and not the ends themselves.

You also assert low reimbursement levels have been the cause of the closure or sale of numerous independently owned W therapy practices in U in recent years. You also assert the only way to assure the continuance of the relatively few such practices that remain will be to allow them to work together in an integrated fashion. In working together this will allow the members to both increase revenue and decrease costs.

Our response to your position

The information provided reinforces the fact that your primary activities provide particular services to your members. A significant portion of your activities constitute services to members. This precludes you from exemption under Section 501(c)(6) of the Code.

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. Your activities also are not directed toward the improvement of business conditions of one or more lines of business. Therefore, you do not qualify for exemption under Section 501(c)(6).

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.

If you don't agree

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

- Your name, address, employer identification number (EIN), and a daytime phone number
- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative
- The following declaration:

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

Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, 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 they haven'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 gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information 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 later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

Where to send your protest

Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Mail Stop 6403
P.O. Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Mail Stop 6403
Cincinnati, OH 45202

You can also fax your protest 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 they received it.

You can get the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

Contacting the Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or if you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements