



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

Release Number: **201940009**  
Release Date: **10/4/2019**  
UIL Code: 501.06-00  
501.06-01

Date: July 10, 2019

Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:  
All

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.

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: April 29, 2019

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

**Legend:**

T = State  
U = Date  
V = Name  
w dollars = Amounts  
x percent = Number

**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 were incorporated in the state of T on U. Per your Articles of Incorporation, you were formed to serve members engaged in the accounting profession and its related disciplines. You are a membership organization consisting of any organization engaged in providing accounting services.

One of your activities is the provision of management consulting services to your member accounting businesses. The consulting services will focus on owners of small accounting business and will consist of a one-time free consultation which includes access to your web-based tools. After the initial consultation, you will charge fees beginning in the range of w dollars per quarter per full time equivalent employee. The services will be tailored to the specific needs of each accounting business.



Your revenue is derived from fees from management consulting services, and membership fees. Furthermore, over x percent of your revenue is from these fees. The only expenses you listed are for salaries and payroll taxes incurred from your provision of these management consulting services.

Your Form 1024 application lists V as your only governing body member. Your Articles of Incorporation state the number of your directors shall be one, which may be increased pursuant to your Bylaws. They further state that V is the director who shall act until the first meeting or until the successor is duly chosen and qualified. Finally, you indicated that you will engage in non-exempt activities such as providing accounting consulting services as a means to train and foster development.

### **Law**

Section 501(c)(6) of the Internal Revenue Code of 1986 provides exemption from federal income tax for business leagues not organized for profit, and no part of the net earnings of which inure 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.

In Apartment Operations Ass'n v. Commissioner of Internal Revenue, 136 F. 2d 435 (1943), the court denied exemption as a business league. The organization was an apartment owners' association which regularly carried on a business of a kind ordinarily conducted for profit and performed particular services for individual persons. These services consisted of acting as a clearing house for information about tenants, including the operation of apartment houses, and about the legislation affecting the business; gave council and advice to its members and did what it could to promote their welfare; secured information about prices for necessary goods for the apartments; and represented its members in labor disputes and negotiations. The Court held the organizations primary activity was one of a business regularly carried on for profit and the organization performs particular services for individual persons. There is no showing that business done, or the activities described were merely incidental to the organization's total activities.

### **Application of law**

You are not described in Section 501(c)(6) of the Code. For example, you are primarily providing management consulting services to your small business members tailored toward their particular business for a fee. Your revenue is primarily derived from these fees and your expenses are primarily incurred through the provision of these consulting services. This shows you are providing particular services for members and consequently precludes you from exemption under Section 501(c)(6) of the Code.

You are also not described in Treas. Reg. Section 1.501(c)(6). You state that that you will engage in non-exempt activities which consists of offering tailored accounting consulting services for a fee as a means to train and foster development. However, the facts that over x percent of your revenue is derived from these fees and



the only expenses described are for the provision of these services indicate you are engaging in a regular business. This disqualifies you from qualifying under Section 501(c)(6) of the Code.

You are like the organization in Apartment Operations Ass'n v. Commissioner of Internal Revenue, 136 F. 2d 435. Like this organization, you provide management consulting services tailored to members for a fee. These services are also characteristic of a business ordinarily carried on for profit. Therefore, you are not promoting the general business conditions of the industry as a whole and fail to qualify under Section 501(c)(6) of the Code.

### **Conclusion**

Your activities are not directed to the improvement of business conditions of one or more lines of businesses, or any other purpose defined in Section 501(c)(6) of the Code. Rather, your activities consist of rendering particular services to members and have characteristics of a business ordinarily carried on for profit. Therefore, you fail to qualify under Section 501(c)(6) of the Code.

### **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](http://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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements