



**Department of the Treasury  
Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

Number: **201945028**  
Release Date: 11/8/2019

Date:  
August 13, 2019  
Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

**UIL Number: 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:**  
June 12, 2019  
**Employer ID number:**

**Contact person/ID number:**

**Contact telephone number:**

**Contact fax number:**

**Legend:**

C = State  
D = Date  
E = County

**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 formed under the nonprofit corporation laws in the state of C on D. Your Articles of Incorporation state, in part, that you are formed for the purpose of business and professional networking.

Your application states that you are organized for business and professional networking in E County, C. Your goal is to build long-term relationships with like-minded business people. You are a private networking group and are not affiliated with any other group or organization. Your membership is limited to professionals, business owners, or similar decision-makers. Only one member is permitted from each designated business category. You host a monthly networking breakfast, which is funded by membership dues. You also hold and sponsor several networking events for members and guests throughout the year.

All new members have the option to host a meeting at their place of business. This gives a new member the opportunity to provide an in-depth overview of their business and introduce group members to other employees of their company. At each meeting, one or more members will be designated as the "Spotlight Member." Each "Spotlight Member" will have an opportunity to provide an extended presentation to the group about their business or about a topic of interest related to their industry.

Each member will be scheduled for a one-on-one meeting with another member each month. The purpose of these meetings is to obtain in-depth information and knowledge regarding another member's business and to

discuss business development opportunities. You will prepare a spreadsheet and circulate it at the beginning of each month. New members will be rotated into the cycle.

Your bylaws state that there is no business referral requirement or other rules regarding referrals. You later stated in a response to our request for more information that members are requested to report on referral and business opportunity activities in the prior month, by and among members, and discuss opportunities for business development in the coming month. The purpose of the meetings is to provide an opportunity for members to educate each other about their businesses and discuss opportunities for business development and networking among group members to generate business opportunities for member companies. You recommend all members should bring business cards to all meetings. You will circulate business cards for your guests and any members who may want them.

Each member is required to bring one guest once a year. At the meeting, the guest will have an opportunity to introduce themselves to the group. Additionally, any member may bring one or more guests to any meeting as bringing guests is encouraged, so long as the profession of the guest does not overlap with an existing member. Members should feel free to bring guests whether or not the guest is a potential new member. Except with approval of the President, each guest may only be brought once in any rolling 12-month period. Each member may introduce their guest(s) at the meeting and provide an opportunity for the guest to give a short presentation (approximately one minute).

If a member refers new members over any period of time (who join and pay all applicable fees and dues), they will receive a free one-year renewal. Annual dues are paid yearly in January, and will cover the organizational costs of the group, the monthly breakfasts and at least annual outings. There is also a one-time membership fee to join. Dues are subject to change at the discretion of the Board.

You will hold and sponsor at least network events or annual outings, consisting of a wine tasting, happy hour, holiday party, lunch cruise, seminars, etc. These events will be paid for out of the membership fees. Other events may be scheduled as deemed appropriate by the President or the membership on a "pay to attend" or similar basis. These may be business development opportunities, team-building events, or charitable in nature.

You have identified that all of your time is spent improving the businesses of your members. Some of this time may be considered "networking" between your members; the goal of which is to share ideas and information from which members can assist one another. You have stated, "Almost all businesses require new customers or clients."

You create an environment whereby members can actively work together to assist each other with business development and grow their business. This may be done through direct introductions to potential clients or referral sources, assistance with marketing and business development ideas or implementation, or direct business coming from group members.

Any networking is within your group for the purpose of promoting the group's goals. The group generally does not network with other groups or the general public. Your meetings are not open to the public.

Meetings generally follow an agenda as such:

- Approximately minutes of open discussion among the members

- Roughly -minute session where one or two members provide an in-depth presentation on their business or activities and how the group may assist them in development, followed by discussions of referrals or business development opportunities in the past month and ideas for the next month, and
- Approximately minutes at the end of the meeting for additional open discussion and questions.

If a member has already given a presentation as described above, updates on the same presentation may be given or present on a topic of interest within their industry. Meetings run . You do not keep minutes of your meetings.

Upon dissolution, the Board of Directors will cause the affairs of the group to be wound up and all obligations of the group paid in accordance with applicable law. Any funds remaining at that time will either be: (i) refunded to the members of the group on a pro rata basis not to exceed the amount contributed by such member; or (ii) donated to a Section 501(c)(3) of the Code charity as determined by the vote of a majority of the members.

### **Law**

Section 501(c)(6) of the Code provides exemption from federal income tax for business leagues 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 defines a business league as an association having a common business interest, whose purpose is to promote the common business interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities are directed to the improvement of business conditions of one or more lines of business rather than the performance of particular services for individual members.

In Revenue Ruling 56-65, 1956-1 CB 199, exemption under Section 501(c)(6) of the Code was not granted to a local organization whose principal activity consisted 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, therefore, is not entitled to exemption from federal income tax under Section 501(c)(6) as a business league even though it performs functions which are of benefit to the particular industry and the public generally.

In Rev. Rul. 59-391, 1959-2 C.B. 151, exemption under Section 501(c)(6) of the Code was denied to an organization composed of individuals, firms, associations, and corporations, each representing a different trade, business, occupation, or profession. The organization was created for the purpose of exchanging information on business prospects and had no common business interest other than a desire to increase sales of members. The revenue ruling found that the organization's activities were not directed to the improvement of business conditions of one or more lines of business, but rather to the promotion of the private interests of its members.

Rev. Rul. 76-409, 1976-2 C.B. 154 denied exemption under Section 501(c)(6) of the Code to an organization whose principal activity is the publication and distribution of an annual directory consisting almost entirely of members' names, addresses, and telephone numbers. The directory is distributed free to those members of the business community who are likely to require the services of the profession. It was held, the publication and distribution of a directory containing the names and addresses of members constitutes advertising for