



Department of the Treasury
Internal Revenue Service
Independent Office of Appeals

Date: 12/11/19

Person to
Name:
Employee ID number:
Telephone:
Fax:
Employer ID number:

Release Number: 202010004

Release Date: 3/6/2020

Uniform Issue list (UIL):
501.06-00, 501.06-01

Certified Mail

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) of the Code.

We made the adverse determination for the following reasons:

Your membership is limited to one representative from each line of business. Your members have no common business interest other than a mutual desire to increase their individual sales. Your activities are 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 your members. You are also not a board of trade or a chamber of commerce. Such organizations are directed at promoting the common economic interests of all the commercial enterprises in a given trade community. Therefore, you do not meet the requirements of Section 501(c)(6) of the Code.

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 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 Section 6110 of the Code after deleting certain identifying information. We 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 can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- 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

US District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, DC 20001

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

Please refer to the enclosed Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status, for more information about the Appeals process.

You also have the right to contact the Taxpayer Advocate Service (TAS). 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 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.

TAS assistance is not a substitute for established IRS procedures, such as the formal appeals process. TAS 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.

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

Sincerely,

.....
Timothy D. Jarvis,
Appeals Team Manager

Enclosures:
Publication 892



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

Date: September 17, 2018

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

X = State
Y = Date
Z = Location

UIL:

501.06-00
501.06-01

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.

Your purpose in your Articles of Incorporation states you are organized to promote and support the local businesses in Z.

Your bylaws state that you are organized exclusively for the support of your members as a business league as an organization under Section 501(c)(6) of the Code as well as indicate that you have the general purpose of encouraging and supporting your member business owners or representatives to refer, recommend, and vouch for them to your clients, families and friends.

Your specific objectives and purposes also include:

- a) providing a system for sharing and disseminating information on and of interest to local business owners and/or representative's members;
- b) to foster training, technical assistance and other learning opportunities specifically oriented toward the needs of your members;
- c) to increase the general visibility of your members;
- d) to sponsor, host and/or participate in events and activities that promote you to prospective local business owners and representatives;

Your membership is open to any current business owner, business operator, or employee of a business considered capable of representing their business that supports your purpose. Interested individuals must complete a membership application and submit a nonrefundable fee. Your membership votes to decide whether to accept the applicant as a member. There is generally only one member for each business classification but member businesses can overlap with prior approval by your members.

You hold weekly meetings usually either at one of your member's locations or another suitable venue. You also hold events where members may invite visitors in a relaxed setting. In addition, you invite businesses in your open categories to be your guests and experience your style of business networking. During your meetings, you have a featured speaker who is one of your members and they get ten minutes to talk about their business. Furthermore, individual members provide self-promoting commercials lasting sixty seconds describing their business and what type of referral they may want as well as any new business lines they may be offering. Membership dues fund your activities and meeting expenses are your primary expenses.

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.

Treas. Reg. Section 1.501(c)(6)-1 states that a business league is an association of persons having some common business interests, 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. The Regulations further state that the activities of a business league 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 members. For exemption purposes, a line of business is a trade or occupation, entry into which is not restricted by a patent, trademark, or similar device which would allow private parties to restrict the right to engage in the business. A "segment" of a line of business is not considered a line of business under Section 501(c)(6) for the Code.

In Revenue Ruling 59-391, 1959-2 C.B. 151, exemption under 501(c)(6) 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.

Revenue Ruling 73-411, 1973-2 C.B. 180, describes an organization that was not structured along industry or business lines but was composed of various types of businesses and commercial endeavors comprising a shopping center. Therefore, its right to exemption, if any, had to rest on its characterization as a chamber of commerce or board of trade or similar organization. The revenue ruling further indicates that chambers of commerce and boards of trade direct their efforts at promoting the common economic interests of all the commercial enterprises in a given trade community. In the case of a chamber of commerce or similar organizations, the common business interest is usually the general economic welfare of a community. Membership is voluntary and open generally to all business and professionals in the community.

Application of law

You are not described in Section 501(c)(6) of the Code and Treas. Reg. Section 1.501(c)(6)-1 because the facts show you are not formed to promote the common business interests of a particular industry or trade, but rather you are formed to benefit your members' business interests. Your purpose of encouraging and supporting your member business owners by providing referrals and recommendations as well as vouching for them to your clients, families and friends illustrates this.

Furthermore, your membership is restricted to noncompeting members. There is typically only one representative from each type of business or profession. The only exception allowing additional members with overlapping professions to join only occurs with the approval of your members. These facts show that you are operating for members' business interests.

You are like the organization described in Rev. Rul. 59-391, in that your activities are 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 your members. Your membership consists of different businesses and like the organization in the revenue ruling, your members are not in competition with one another. Your members do not appear to have a common business interest other than a mutual desire to promote and grow their individual businesses. This is illustrated by the individual members' commercials at your meetings which are self-promoting and the fact that speakers are usually your members who describe and promote their businesses.

Like the organization in Rev. Rul. 73-411, you are not structured along any particular industry or business lines. You are composed of various types of businesses. Therefore, to meet exemption under Section 501(c)(6) of the Code, you must depend on being characterized as a chamber of commerce. Because your membership is not open to all businesses in your community but only to one business per category, you do not meet the definition of a chamber of commerce within the meaning of Section 501(c)(6) as explained in this revenue ruling.

Conclusion

Your membership constraints show that your primary purpose is to further the private interests of your individual members and not the improvement of business conditions of one or more lines of business. You have no common business interest other than a mutual desire to grow members' business. Your activities are not primarily directed to the improvement of business conditions of one or more lines of business nor for the common economic interests of all the businesses in a given trade community as in the case of a chamber of commerce, but rather to the promotion of the private interests of your members as illustrated by the restrictive nature of your membership. Therefore, you not meet the requirements for exemption under Section 501(c)(6) of the Code.

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. 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