



**Department of the Treasury  
Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

Number: 202034010  
Release Date: 8/21/2020

UIL Number: 501.06-00, 501.06-01

**Date:** May 28, 2020

**Employer ID number:**

**Contact person/ID number:**

**Contact telephone number:**

**Form you must file:**

**Tax years:**

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)*

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 1, 2020

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

### Legend

B = State  
C = Date  
D = Name  
E = Countries  
F = Days  
G = Date  
j dollars = Amount  
k dollars = Amount

### 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 IRC Section 501(c)(6)? No, for the reasons stated below.

### Facts

You were incorporated in B on C as a nonprofit corporation. Your corporate purpose indicates you are a group of independently owned and operated bridal salons organized to create events for the betterment of their stores.

Your primary activity listed on your Form 1024 is providing advertising to bridal salons to promote awareness and increase sales. Specifically, you organize D annually for member stores in E which you describe as an event similar to F on G. On this day, independently owned bridal salons offer substantial sales and discounts on wedding attire. Most salons extend the sale for the week.

You heavily promote D on your website including providing direct links to your member stores as well as by listing their addresses, phones, and e-mails. You also contact the manufacturers of wedding dresses to locate wedding dresses or other merchandise that they would sell for a discounted price, in order for them to unload excessive inventory. You also order promotional garment bags for member salons to provide to brides who

purchased dresses from your members. Additionally, you prepare banners, and coordinate other promotional events. Furthermore, about thirty days before D, you implement advertising campaigns by sending out multiple press releases, posting constantly about D on different social media platforms, providing information to local TV stations, and sending e-mail blasts to potential customers.

Further, the only requirement to become a member and participate in D is to own a brick and mortar independent bridal salon, complete registration and submit the payment. The cost of the membership is either j dollars per year, or up to k dollars for multiple years. You indicated the membership fee pays for direct national advertising of the bridal salons on your website. In addition, each store can provide advertising for their specific store on your website. Your founder is the owner of one of the salons participating in this event. Besides your founder, you have two other board members.

Your sources of revenues are member assessments and fees. Your expenses consist of promotional expenses for D.

You recruit potential member stores mainly throughout the first half of the year by contacting independent stores and attending trade shows in different markets. Throughout the year, you maintain your website and change the content to focus on items such as "e-books, bridal-salon-of-the-month, wedding-gown-designer-of-the-month etc.

### **Law**

IRC Section 501(c)(6) 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, in part: "A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest. . . . 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".

Rev. Rul. 56-65, 1956-1 C.B. 199 describes a local organization whose principal activity consisted of furnishing information to and advertising the products of its members engaged in the building construction business was performing particular services for them and was not held to be exempt as a business league.

Rev. Rul. 56-84, 1956-1 C.B. 201 describes that an organization operated primarily for the purpose of promoting, selling, and handling the national advertising in its members' publications was engaged in the performance of particular services for individual members and was not entitled to exemption under IRC Section 501(c)(6).

In Automotive Electric Association v. Commissioner, 168 F.2d 366 (6th Cir. 1948), the court found that an association that published and sold catalogues to members and non-members did not qualify for exemption under IRC Section 501(c)(6). It was determined that the association was performing particular services for individual persons when the catalogue listed only products manufactured by the members, even though there may have been incidental benefit to the relevant industry.

**Application of law**

You are not described in IRC Section 501(c)(6) and Treas. Reg. Section 1.501(c)(6)-1. Your primary activity is D, which is a national sales event similar to F provided for the benefit of your members. You conduct numerous advertising campaigns concerning D as well as operate a website which has members' contact information and a direct link to their stores. These activities constitute the performance of particular services to members as opposed to the improvement of business conditions as a whole and preclude you from exemption under IRC Section 501(c)(6).

Like the organizations in Rev. Rul. 56-65 and Rev. Rul. 56-84, your activities are not primarily directed to the improvement of business conditions of the bridal salon industry as a whole, but you are operated to provide direct services to your member salons. For example, your expenses mainly consist of advertising expenses. Your Articles of Incorporation state you are a group of independently owned and operated bridal salons to create events for the betterment of their stores. You contact wedding dresses designers to help your members find discounted items. These facts show you are providing particular services for members and consequently you are precluded from exemption under IRC Section 501(c)(6).

You are similar to the organization described in Automotive Electric Association v. Commissioner. You coordinate D to promote awareness of independently owned salons. You also provide advertising to your individual member bridal salons concerning D on your website as well as coordinate advertising campaigns promoting D such as email blasts to potential customers and numerous postings on social media. Although there may be some incidental benefit to the bridal salon industry as a whole, the purpose of these activities is to directly benefit your member salons.

**Conclusion**

Based on the information provided, we conclude that you are not operated as a business league described in IRC Section 501(c)(6). You do not improve business conditions along one or more lines of business or of a certain area but instead provide direct services for your individual members. Therefore, you do not qualify for exemption under IRC 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](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