



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 45201

Date: October 27, 2020

Employer ID number:

Form you must file:

Tax years:

Number: **202103015**
Release Date: 1/22/2021

Person to contact:

Name:

ID number:

Telephone:

UIL: 501.06-00, 501.06-01

Dear _____ :

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(6). 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 the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit www.irs.gov.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. 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 call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 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

Redacted Letter 4038



**Department of the Treasury
Internal Revenue Service**

P.O. Box 2508
Cincinnati, OH 45201

Date: August 25, 2020

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

B = Date

C = State

D = Date

E = Name

F = Name

G = Name

H = Organization

x = Number

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

Facts

You formed on B in the state of C as a nonprofit public benefit corporation. On D, you amended your purpose to read that you are formed for charitable purposes within the meaning of IRC Section 501(c)(6) and to promote the health of the citizens of C.

You are a membership organization composed of football officials who are registered members of the C High School Athletic Association. Your sole purpose is to provide qualified officials to local middle school, junior varsity, and varsity level football games for various school districts across the _____ C, primarily from _____ of the year. Specifically, you ensure your member officials comply with the state of C standards, and you assign your qualified member officials to officiate games. You also collect payments from the school districts on behalf of your members and then distribute the payments to your member officials for

their services. Further, all members officials are paid by you as independent contractors and assume their own liability.

Your membership categories consist of: E, F, and G. To become an E member, an individual must have reached the age of x during the summer of the school year in question; be a high school graduate; have a proficient knowledge of H's playing rules; have a working knowledge of the game; and be registered with the C High School Athletic Association. In addition, you limit the number of E members to y. Only E members may vote and hold office. E members may be terminated only for just cause and then by 2/3 vote of the body.

To become an F member, an individual must meet the same criteria as E members as well as serve a two-year internship. During this time, they are trained and subsequently assessed and evaluated. If they successfully complete the two year internship, they may be nominated for advancement to E member status and be named to the E roster in order to maintain the number of E members at y; additionally, F members will only be advanced if 2/3 of the Roster of E members present at a called meeting vote to agree to their advancement. F members may also remain in this status until there is an opening or if additional time in this status would help them become a more proficient official. Additionally, F members may be terminated at any time by a simple majority vote of the E members

G members are those individuals, who are under the age of x years or those who in the judgement of a majority of the E members should be limited to the levels of competition in which they officiate. The period an official may be in a restricted status shall not exceed years. After the completion of years as a G member, the member will be automatically elevated to the F status or be dismissed. Dismissal can also occur any time through a simple majority vote of the E members.

You are governed by a volunteer board of directors. Your officers consist of the President, Vice-President, Executive Secretary, Treasurer, Recording Secretary, and two "at-large" board members. At the beginning of each year, the President appoints numerous committees who report to him at the beginning of each year including the following:

- The Membership Committee, which is responsible for recruiting new member officials, screening all applicants, and making recommendations regarding potential members.
- The Program Training Committee, which is responsible for training, instructing, and/or directing inexperienced and experienced officials through a well-planned program of instructions on the rules and the mechanics of officiating.
- The Assignment Committee, which is responsible for making all assignments, and for assigning full crews to all schools. The committee also may review and suggest any adjustments as needs arise in the assignments.
- The Grievance Committee, which is responsible for investigating charges, disputes, and complaints made by coaches, school officials, or your members and may conduct hearings on problems pertaining to your officiating program.
- The Ethics Committee, which is responsible for observing the conduct of your member officials at meetings, on the field, and when possible after games. For those officials experiencing difficulties, they will hold individual conferences in a professional way.

You receive % of your revenue from various school districts for placing officials at football games. The remainder of your revenue is derived from dues of your members to help cover your general and administrative costs. Your expenses consist of compensation paid to members for officiating games.

You further indicated that you act as a convenience to the school districts to prevent the occurrence of scheduling conflicts amongst the various school districts regarding your members. You serve as a conduit, through which, the school districts contact you and you provide the official. Maintaining and operating a placement service for the benefit of the school districts is a primary and substantial activity of yours.

Law

IRC Section 501(c)(6) provides, in part for the exemption from federal income tax of business leagues, 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 provides 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.

Revenue Ruling 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 IRC Section 501(c)(6) 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 IRC Section 501(c)(6) as including an activity that serves as a convenience or economy to members of the organization in the operation of their own businesses.

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 IRC Section 501(c)(6).

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 the provision of employment services for your member officials. For example, you assign qualified member officials to officiate games. You also collect payments from the schools on behalf of your member officials and then distribute the payments to your member officials for their services. You operate training programs to ensure members meet the needed criteria to officiate games with the schools you provide officials to. These activities are similar to the operations of a for profit business as well constitute the performance of particular services to members as opposed to the improvement of business conditions as a whole.

You are similar to the organization in Rev. Rul. 61-170 because you were formed to provide employment opportunities for your members. You coordinate with local school districts to schedule and assign your member officials to work at games and then collect payment on their behalf. You also may represent them in grievances they are involved in. You also limit your roster of officials to y and all members must be accepted by your membership. By operating in this manner, you are operating similarly to a for profit business and are rendering particular services for individual persons rather than promoting the general business conditions of a particular line of business.

Like the organization described in Rev. Rul. 68-264, the activities you conduct such as scheduling officials to work games and collecting payments on their behalf to distribute to them serves as a convenience or economy to your members.

The organization in Indiana Retail Hardware Ass'n failed to qualify for exemption under IRC Section 501(c)(6) because conducting services for their members was a substantial activity. Because your primary activity is arranging officiating jobs for your members, you are not exempt under IRC Section 501(c)(6).

Conclusion

Based on the information provided, we conclude that you are not operated as a business league described in IRC Section 501(c)(6). Your operations are substantially similar to those of a for profit business and you provide particular services to members as well provide a convenience and economy to members. Therefore, you do not qualify for exemption under IRC 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